

Herald

INTERNATIONAL

Tribune



PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The World's Daily Newspaper

**

Paris, Saturday-Sunday, December 16-17, 1995

No. 35.085

Syria Drops Conditions For Peace Negotiations

Christopher, After Damascus Trip, Says Assad Is Ready to Move Ahead

By Thomas W. Lippman
Washington Post Service

DAMASCUS — Through a cloud of diplomatic discretion and nuanced analysis, Secretary of State Warren M. Christopher and senior aides indicated Friday that President Hafez Assad of Syria was prepared to move ahead quickly with negotiations that would lead to peace between Israel and its Arab neighbors.

Mr. Christopher and his negotiating team disclosed few details of Mr. Assad's response to new proposals from Prime Minister Shimon Peres of Israel after Mr. Christopher relayed them in a four-hour meeting. But they said they were convinced that Mr. Assad wanted to go ahead, and that he had dropped all conditions he formerly set for undertaking conclusive negotiations.

"This was a really good day," one State Department official said. "This is a very positive story."

Mr. Christopher said, "Based on the constructive ideas today, I can say that the parties clearly want to press forward."

After a cycle of rising expectations following the assassination of Mr. Peres's predecessor, Yitzhak Rabin, these bland formulations might seem to be a letdown.

But U.S. officials stressed that they were encouraged by Mr. Assad's response and that they expected additional developments after Mr. Christopher conveys it to Mr. Peres in Jerusalem Saturday night.

In one sense Israel and Syria are still negotiating about how to negotiate, and are far from sitting down together to bridge their differences, especially those over the Israeli-occupied Golan Heights, which Mr. Assad is demanding to regain as the price of peace.

But U.S. officials said they found ample reason to believe that once a negotiating framework is found that can encompass substantive issues both sides are ready to deal. U.S. and Israeli officials are predicting an intensive three to four months of negotiations and even shuttle diplomacy by Mr. Christopher, a task he said he was ready to undertake if it would be "useful."

Neither Israel nor Syria is insisting on preconditions before negotiations take place and neither wants to return to the impasse that developed last summer when Syria backed out of high-level military talks and negotiations between ambassadors in Washington petered out. U.S. officials said.

For Mr. Christopher, the premise of his

See MIDEAST, Page 5

U.S. Suspects India Plans First Nuclear Test Since '74

New Delhi Cites 'Routine Exercises'

By Tim Weiner
New York Times Service

WASHINGTON — American intelligence experts suspect India is preparing for its first nuclear test since 1974, government officials say, and the United States is trying to discourage it.

In recent weeks, spy satellites have recorded scientific and technical activity at the Pokharan test site in the Rajasthan desert. But intelligence experts said they could not tell whether the activity involved preparations for exploding a nuclear bomb or some other experiment to increase India's expertise in making nuclear weapons.

"We're not sure what they're up to," a government official said. "The big question is what their motive is. If their motive is to get scientific knowledge, it might be months or years before they do the test. If it's for purely political reasons, it could be this weekend."

India issued a strong denial Friday that it was preparing a nuclear test.

"There is no truth in this," said Arif Khan, chief spokesman for the External Affairs Ministry. He said the intelligence agencies apparently spotted military activities that were not related to India's nuclear program. The government routinely declares its nuclear program to be

"peaceful" in nature. "There are routine military exercises in this area because it is close to the border with Pakistan," Mr. Khan said.

The Congress Party of India, which has governed the country most of the years since independence in 1947, is facing a challenge from a Hindu nationalist party. U.S. government officials say a nuclear weapons test could be used by the Congress Party as a symbol of its political potency.

Despite efforts to persuade the world's nuclear powers to sign a comprehensive test-ban treaty, China and France have tested nuclear weapons in recent months. If India follows suit, its neighbor, Pakistan, with which it has tense relations, may also test a nuclear weapon, government and civilian experts said. Neither country has signed the Nuclear Nonproliferation Treaty.

"It's going to have a nuclear snowball effect," said Gary Milholland, director of the Wisconsin Project on Nuclear Arms Control in Washington and a leading civilian expert on the spread of nuclear weapons. "It also jeopardizes the possibility that the world will sign a comprehensive test ban treaty next year."

A State Department official, who spoke

See INDIA, Page 5



Philippe de la Mure/Associated Press
The French public-sector strike appeared to be winding down Friday, but that didn't help motorists crawling toward the Place de la Concorde in Paris.

EU Leaders, Nearly All for One Currency, Call It 'Euro'

By Tom Buerkle
International Herald Tribune

MADRID — Setting aside doubts in their own ranks about the feasibility and desirability of a single currency, European Union leaders on Friday affirmed their commitment to achieve monetary union in 1999 by approving a blueprint for the currency's introduction and agreeing to name it the Euro.

The decision did not directly address the growing skepticism about the ability of European governments to make the painful budget cuts in time to meet the 1999 target.

But with a push from the German chancellor, the leaders and senior EU ministers said they wanted to send a clear message of political determination to forge a single currency, a historic step that they insisted was essential to restoring Europe's economic confidence and ensuring its political stability into the 21st century.

"It's a triumph for the European Union," said Finance Minister Pedro Solbes of Spain, who shepherded the difficult negotiations during the past



Philippe de la Mure/Associated Press
New currency's name unleashes Euro-skepticism. Page 15

three months that led to the agreement. "Economic and monetary union will start on the first of January 1999."

Ruairi Quinn, the Irish finance minister, summed up the situation best:

The single currency "is all about politics," Mr. Quinn said. "Monetary union is the essential and necessary step toward political union. There could be unforeseen events that could cause problems, that could even cause delays, but it won't change the momentum toward a single currency."

The leaders did not discuss the social unrest in France, where public workers have been striking for three weeks to protest government austerity measures aimed at qualifying the country for the single currency. Yet the effect of the turmoil was evident in France's hesitation about the accord.

President Jacques Chirac sought to defer agreement on the currency's name by suggesting that the Union poll its citizens, officials said.

Prime Minister John Major of Britain, which has

See MONEY, Page 5

The Provinces Spurn Moscow's Plaintive Plea for Votes

By Alessandra Stanley
New York Times Service

KALUGA, Russia — This is how the government thought the parliamentary elections would work: Russia's powerful regional governors would gracefully join Prime Minister Viktor S. Chernomyrdin's party and recruit other local officials, who in turn would lean on factory directors and civil servants to support the Union of Labor, the make-shift alliance of trade unions and industrialists that leans mainly left — communism with a factory manager's face.

But this is what happened in Kaluga, a provincial town 190 kilometers (120 miles) south of Moscow. The governor, Alexander V. Deryagin, a liberal appointed by President Boris N. Yeltsin, declined the honor.

That was the theory.

But this is what happened in Kaluga, a provincial town 190 kilometers (120 miles)

from leading the pro-government party here. Just days before the elections Sunday, Mr. Deryagin impishly confided that he might vote for Mr. Chernomyrdin's rival, Yegor I. Gaidar, the architect of Mr. Yeltsin's early radical reforms.

When other, more tractable local officials solicited support from the Kaluga Turbine Works, one of the region's largest factories, the director, Valeri V. Pryakhin, laughed in their faces. He then told his 10,000 employees to support the Union of Labor, a makeshift alliance of trade unions and industrialists that leans mainly left — communism with a factory manager's face.

This year's pivotal election will be decided not in Moscow or St. Petersburg but in Kaluga and cities like it. But the government's gamble that whatever the party lacks in popular support there will be offset by the total alignment of regional leaders does not appear to be paying off.

As Kaluga illustrates all too clearly, the prime minister's party, like the government itself, is hampered both by voters' disaffection and by the apathy of the very elites who were supposed to campaign in lockstep on Mr. Chernomyrdin's behalf.

On the eve of the election, Mr. Pryakhin and Mr. Deryagin alike predict that the Communists may win as much as 30 percent of the vote here.

"A third of our people are pensioners, and they live in the past," Mr. Deryagin said. "What do you expect? They blame this government for all their troubles now, and they have forgotten how horrible life was under communism."

Most older people in Kaluga do say they will vote for the Communist Party led by Gennadi Zyuganov. But many seem to be under a spell — not of amnesia, but of the wishful thought that second time around, the Communists will get it right.



Vladimir Zhirinovski gesturing Friday during a press conference in Moscow.

Dini Survives 2 Confidence Tests

EUROPE Page 2
No More Snag for Balkan Losers

THE AMERICAS Page 3
Whitewater Panel Votes for Subpoena

ASIA Page 4
ASEAN Treaty Bars Nuclear Arms

INTERNATIONAL Page 5
Russian Missile Parts Tracked to Iraq

BUSINESS/FINANCE Page 15
Sprint Gets Approval

Opinion Page 6, Crossword Page 22
Books Page 5, Sports Pages 22-23

International Classified Page 4
Sponsored Section - Kazakhstan Pages 11-14

ROME (Reuters) — The government of Prime Minister Lamberto Dini, which put its survival on the line to try to save its 1996 budget, won two confidence votes Friday but said it was calling a third early next week.

The Chamber of Deputies, or lower house, passed the second confidence motion, 310 to 297, with one abstention. The earlier motion was carried, 306 to 292, also with one abstention.

In both cases, the technocratic government of Prime Minister Dini was saved by more than 20 deputies who left the chamber instead of taking part.

The two motions concerned "umbrella amendments" to the deficit-cutting 1996 budget designed to push the bill through Parliament by grouping about 2,000 amendments. A third and similar motion is to be put to a test Monday or Tuesday, according to Finance Minister Augusto Fantozzi.

Europe's Soccer Stars Ponder Joy of Free Agency

By Ian Thomsen
International Herald Tribune

LONDON — Deion Sanders, the modern American football and baseball star, sells himself first and the game second. He is not a role model but rather a commercial vehicle, a caricature by Madison Avenue. He taunts opponents, dwarfs teammates, and is guaranteed \$35 million in salary from the Dallas Cowboys plus endorsements. Someone like him is on his way to European soccer.

As expected, the European Court of Justice in Brussels declared illegal Friday the European system in which players whose contracts had expired were still owned, like commodities, by their clubs unless the team was paid

a negotiated transfer fee by a suitor club. No longer should a team maintain any right to a player after his contract has expired, the court said.

The player who instigated this revolt bears little resemblance to "Neon" Deion. Jean-Marc Bosman, a Belgian youth star, began his lawsuit five years ago when a series of ill-fated transfers doomed his career as a first-division player. He was effectively frozen out of the game, as implied by the European court ruling.

The decision leaves European soccer on the verge of "free agency," the system that has transformed American sport and given enormous power to star players.

The court also banned limits on the number of foreign players that can be held by each European club, another fundamental change. In Italy, home to the world's strongest soccer league, each club is allowed to dress no

more than three foreigners. If the court's ruling is carried out in line with European Union regulations, then nothing but their ability — or marketability — will prevent the best players from playing for the team of their choice.

Indeed, the best teams could end up having little in common with their constituency. AC Milan, for example, the strongest Italian club, could field 11 non-Italians.

For some administrators, it's all too much. "The European Union is trying to destroy club soccer," said Lennart Johansson, the president of UEFA, the European soccer club federation. He claims to fear that poor clubs will wither away if deprived of selling players to larger clubs.

The answer, as any American fan will tell him, is for the

See SOCCER, Page 5

See RUSSIA, Page 5

30 Hours With Mladić: A French Ordeal

By Barry James
International Herald Tribune

PARIS — The release of two French fighter pilots by the Bosnian Serbs this week followed a tense 30-hour confrontation between their captor, General Ratko Mladić, and the French chief of staff, Jean-Philippe Drouin, an air force general, senior NATO and diplomatic sources said Friday.

A French ultimatum to take unspecified action if the pilots were not released had no effect, the sources said, because General Mladić had life-or-death control over the pilots and had made it clear that he was not listening either to his nominal political boss, Radovan Karadžić, or to the Serbian president, Slobodan Milošević.

In fact, the sources said, any attempt to put direct pressure on General Mladić by military or other means would have been counterproductive because he had threatened to execute the pilots and commit suicide if pushed. The sources said he appeared to be "psychotic" and was under the constant attention of a doctor, who apparently forbade him from drinking alcohol.

French Defense Ministry officials declined to comment on the report. Much of the discussion between a small group of French and Bosnian officials took place in a tiny, unheated room at a military airfield near Belgrade. Although General Drouin had good intelligence information that the pilots were still alive, it was fully 12 hours before he could get General Mladić to acknowledge that fact. First, the sources said, the French general had to listen to an eight-hour peroration on Yugoslav history in which General Mladić kept insisting that the



The two French pilots freed by the Bosnian Serbs this week arriving Friday at their home air base near Nancy.

Serbs for centuries had defended Europe from Ottoman autocracy. He said the Serbs deserved the thanks rather than the condemnation of the West.

The sources said that at one point, General Mladić said he was willing to go to The Hague to appear before the United Nations War Crimes Tribunal, where he is under indictment for war crimes. He, and most of his followers, are convinced that he is a war hero rather than a war criminal, the sources said.

General Mladić added that he was not worried about the presence of the NATO forces because they would eventually realize the reality of what was happening in Bosnia-Herzegovina. The fate of the French pilots had been a mystery since their Mirage-2000 fighter was shot down during a NATO bombing raid Aug. 30. Mr. Karadžić announced in mid-October that they had been kidnapped from a hospital near Pale where they were being treated, and after that there was no further definite news about

them until their release.

It emerged this past week that the kidnapping had been carried out by men fanatically loyal to General Mladić. One of the pilots, Lieutenant José Souvignet, said in an interview published in the newspaper *Est Républicain* on Friday that General Mladić was present when he and Captain Frédéric Chiffot were treated for broken legs at Pale on Aug. 30.

Only with the help of the Yugoslav president, Zoran Lilic, a boyhood friend of General Mladić's, was the Bosnian

Serbian leader slowly persuaded to cooperate.

General Mladić, in turns blustering and meek, eventually gave his word to hand over the pilots at a bridge over the Drina River at Zvornik, a five-hour drive over bad roads from Belgrade.

The sources said that General Drouin coaxed General Mladić into releasing the pilots by reminding him of French-Serbian friendship going back to the time of Napoleon and calling on his word of honor as a fellow officer.

Serb Leader Ends State Of War in Most Areas

Compiled by Our Staff From Dispatches

SARAJEVO, Bosnia-Herzegovina — Peace sank its first roots in Bosnia on Friday as rebel Serbs stood down their army and NATO prepared to deploy 60,000 peacekeeping troops despite snow and fog that closed airports and roads.

The Bosnian Serbian leader, Radovan Karadžić, ended a state of war everywhere in the Balkan state except Sarajevo to free army conscripts for economic reconstruction. Mr. Karadžić's gesture was intended to show world leaders that he is committed to peace, while reminding them that he is bitterly opposed to their decision to unify Sarajevo under the rule of his enemies.

But in a power struggle reflecting the upheavals of a new era of peace, he may be ousted by separatist Serbs in a weekend session.

The North Atlantic Treaty Organization awaited a United Nations green light to pour troops and armor into Bosnia, in Europe's biggest military operation since World War II.

The alliance was likely to declare Saturday "G-Day" after a Security Council resolution expected to be passed in New York late Friday night.

NATO chiefs will then set the clock running on a one-year operation to make sure the Bosnia peace deal signed in Paris on Thursday is implemented.

NATO's Brussels headquarters gave provisional approval Friday for alliance combat troops to move into Bosnia. With the council's approval, troops equipped with main battle tanks and heavy artillery will then set off.

The Supreme Allied Commander Europe, General George Joulwan, planned to have enough combat troops in Bosnia within 96 hours of getting the go-ahead to ask formally for the transfer of power from the UN to NATO commanders.

"The aim is that from G-Day the force will build up very fast.

There will be an immense surge," an alliance diplomat said.

Winter weather in Bosnia is seen as a mixed blessing. It will make the deployment of troops much harder, but at the same time fighting has faded over the past three winters so the troops will not walk into a raging battle.

At the Pentagon, officials said the first two of 12 scheduled U.S. cargo flights on Friday from Germany to Tuzla, the main base for U.S. operations in northeastern Bosnia, had to turn back because of heavy fog.

On Thursday, all 17 scheduled flight to Tuzla were canceled because of weather, officials said.

In Germany, the commander of NATO's ground troops in Bosnia said Friday that he expected peace but was prepared to fight when his multinational force deploys to enforce the Dayton peace treaty.

"We are not going to war," Lieutenant General Michael Walker of Britain said at a news conference at Allied Command Europe Rapid Reaction Corps headquarters in Germany. "We are going to implement a peace. We are going there to implement their peace."

Mr. Karadžić would like to resign but refused, saying he would stand by the wishes of the self-styled Bosnian Serbian parliament, which is expected to vote on his continued leadership within two weeks.

The concentrated hold Mr. Karadžić once had on power has diminished sharply.

The new power center, dominated by Mr. Milosević's supporters in Banja Luka, opposes Mr. Karadžić. The war profiteers who supported Mr. Karadžić in the parliament in Pale, a suburb of Sarajevo, are now looking to revamp factories and businesses and make financial deals with the West.

Some estimate that Mr. Karadžić would not win double digits in an election held now. His police, however, still control the Bosnian border with Serbia.

General Mladić, described as essentially a physical and psychological wreck, may be a more difficult matter. One administrator from Banja Luka said officers loyal to him were concerned because his behavior had become so erratic.

Cautious Start for Belfast Talks

DUBLIN — Stating that there was no assurance that it would succeed, former Senator George J. Mitchell began the work Friday of the new international panel that is to deal with issues over disarmament of the Irish Republican Army in Northern Ireland.

Mr. Mitchell, head of the International Body on Disarmament, said in Belfast, "We understand that the success of our efforts is far from assured but we believe that the process of peace and reconciliation now under way in Northern Ireland is historic."

The panel is to try to work out a compromise between Sinn Féin, the British government and Protestant political leaders in the North. The British insist that the IRA must make a start on disarming. Sinn Féin refuses.

'Dirty War' Probe Is Hamstrung

MADRID — A Spanish judge investigating possible official links to a "dirty war" on ETA guerrillas suffered a setback Friday when an arbitration tribunal ruled that the government did not have to release sensitive military documents.

The ruling means the Defense Ministry is not required to provide the High Court judge, Baltasar Garzon, with what is said to be the "founding charter" for the Anti-Terrorist Liberation Group, responsible for 27 deaths in the 1980s.

The decision is a considerable blow for Judge Garzon, who reopened investigations last December.

(Reuters)

New Toulon Mayor Squeezed Out

NICE — Jean-Marie Le Chevallier, the far-right National Front mayor of Toulon, was forced out of office Friday over a violation of campaign accounting rules.

Despite the ruling by the Nice administrative court against Mr. Le Chevallier, the Toulon city hall remains in National Front control. Since mayors are elected indirectly by city councils in France, the Front-controlled council quickly named a party loyalist, Michele Hervé, to take Mr. Le Chevallier's place.

Kohl's Top Spy Denies Charges

BONN — Bernd Schmidbauer, Chancellor Helmut Kohl's intelligence chief, denied Friday that he had inside knowledge of a plan to smuggle plutonium into Germany despite growing evidence that German agents were behind the plot.

Mr. Schmidbauer, who oversees the BND spy agency, released a 44-page dossier — including some secret papers — as evidence that he did nothing wrong when the BND seized 363 grams (12.8 ounces) of weapons-grade plutonium in Munich that came from the former Soviet Union.

Evidence has been mounting that the BND may have set up the seizure in August 1994 as a sting operation to help justify its post-Cold War existence.

(Reuters)

Bonn Socialist Slump Persists

BONN — After a rousing start, Germany's new opposition leader, Oskar Lafontaine, has not been able to pull his Social Democrats out of the deep dip after Chancellor Helmut Kohl, a poll indicated Friday.

Only 18 percent of Germans polled told ZDF television's Politbarometer survey that they thought Mr. Lafontaine, who took the leadership from Rudolf Schäffer last month, would be a better chancellor than Mr. Kohl.

The party stayed stuck at 32 percent support in ZDF's December poll, unchanged from its November ranking before Mr. Lafontaine took over.

U.S. Tightens Safety For Commuter Flights

By Matthew L. Wald
New York Times Service

has been calling for changes since 1989.

The aviation agency originally had intended simply to shorten working hours for commercial pilots to make them conform to the rule for pilots of bigger planes, but instead it proposed new rules for both.

Current rules allow pilots to be scheduled for 16-hour days and many work even longer if there are delays, and they can be required to begin another shift after as little as 8 or 9 hours rest.

The series of safety changes, described by the secretary of transportation as the most comprehensive in more than 25 years, also set a firm retirement age of 60 for pilots of all passenger planes, large and small.

The change in working hours is a draft rule, and the trade association representing major airlines announced its opposition, saying it would be much costlier than any benefits that could be realized. The group, the Air Transport Association, said the proposal took economic demands by the pilots' union and turned them "into alleged safety issues."

The National Transportation Safety Board has cited pilot fatigue as a cause in crashes and

TRAVEL UPDATE

France Edges Toward End of Chaos

PARIS (Reuters) — Public transit and public services remained disrupted in France on Friday, the 22d day of strikes, but workers were slowly returning to their jobs.

National rail service was resuming in a sporadic fashion as drivers at 25 bases agreed to end their strike, the SNCF national rail authority said.

In Paris, trains were running on six of the 13 Métro lines. Compared with limited service on just one line the day before, bus services were 6 percent of normal, about the same as Thursday. Commuter rail services to the Paris suburbs were still mostly at a standstill.

Eurostar trains were still not running between Paris and London via the Channel tunnel.

Italy, Too, Is Hit by Transport Strikes

ROME (AP) — Italians battled rush-hour traffic jams Friday during a nationwide transit strike, the second in three weeks.

The unions are protesting the government's austere budget, which limits funds given to cities to cover labor costs of transit workers.

The strike shut down bus, subway and streetcar service in all major cities for most of the day.

Italy has banned smoking in many public places, including schools and public agencies, and offenders will be fined, officials said. Restaurants and cafés will not be affected.

Lebanon's national carrier, Middle East Airlines, and Malaysian Airways have signed an agreement to set up a twice-weekly service between Beirut and Kuala Lumpur starting in January, officials said.

Low cost flights

Worldwide look + book

Internet:

www.tiss.com

SYNAGOGUES IN EUROPE

BRUSSELS

SYNAGOGUE BETH HILLEL
Community Israelite Libérale de Belgique,
Avenue de la Cambre 96, 1190 Brussels.
Rabbi Albert Danzig. Tel: 32-3-332-2288.
Fax: 32-3-376-7219.

LISBON

SYNAGOGUE BETH CHADSSO
Second Floor of Third Baptist Church,
Praça Figueira 36, 1930-0000 Lisboa.
Pastor Steve Ford. Tel: 416-517-0386.

HOLLAND

SYNAGOGUE BETH HILLEL
Synagogue Nederlandse Israëlitische Gemeente,
Sint-Jorisstraat 10, 1075 BN Amsterdam.
Rabbi David Hartog. Tel: 20-623-1000.

KIEV

SYNAGOGUE BETH HILLEL
Kiev. Tel: 380-44-22-22-22.

FRANCE

SYNAGOGUE BETH HILLEL
10 rue de l'Oratoire, 75011 Paris.
Rabbi Daniel Goldstein. Tel: 33-42-52-10-10.

SYNAGOGUES IN EUROPE

SYNAGOGUE BETH HILLEL

SYNAGOGUE BETH HILLEL
Community Israëlite Libérale de Belgique,
Avenue de la Cambre 96, 1190 Brussels.
Rabbi Albert Danzig. Tel: 32-3-332-2288.
Fax: 32-3-376-7219.

SYNAGOGUE BETH HILLEL

SYNAGOGUE BETH HILLEL
Community Israëlite Libérale de Belgique,
Avenue de la Cambre 96, 1190 Brussels.
Rabbi Albert Danzig. Tel: 32-3-332-2288.
Fax: 32-3-376-7219.

SYNAGOGUE BETH HILLEL

SYNAGOGUE BETH HILLEL
Community Israëlite Libérale de Belgique,
Avenue de la Cambre 96, 1190 Brussels.
Rabbi Albert Danzig. Tel: 32-3-332-2288.
Fax: 32-3-376-7219.

SYNAGOGUE BETH HILLEL

SYNAGOGUE BETH HILLEL
Community Israëlite Libérale de Belgique,
Avenue de la Cambre 96, 1190 Brussels.
Rabbi Albert Danzig. Tel: 32-3-332-2288.
Fax: 32-3-376-7219.

SYNAGOGUE BETH HILLEL

SYNAGOGUE BETH HILLEL
Community Israëlite Libérale de Belgique,
Avenue de la Cambre 96, 1190 Brussels.
Rabbi Albert Danzig. Tel: 32-3-332-2288.
Fax: 32-3-376-7219.

SYNAGOGUE BETH HILLEL

SYNAGOGUE BETH HILLEL
Community Israëlite Libérale de Belgique,
Avenue de la Cambre 96, 1190 Brussels.
Rabbi Albert Danzig. Tel: 32-3-332-2288.
Fax: 32-3-376-7219.

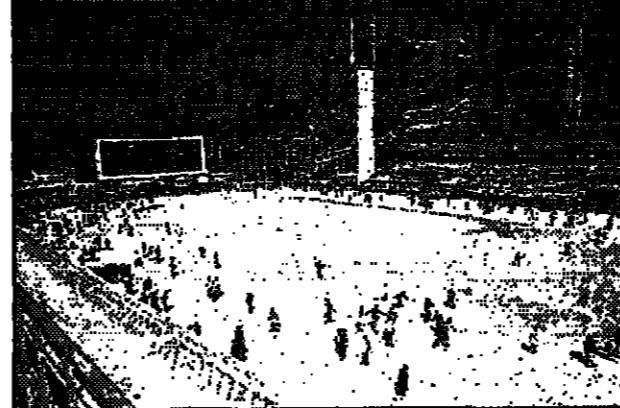
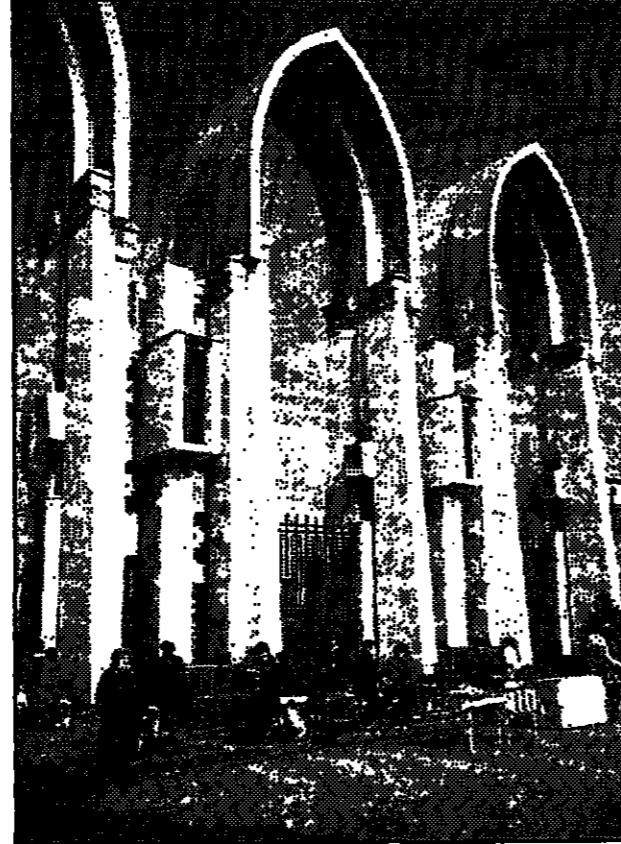
SYNAGOGUE BETH HILLEL

SYNAGOGUE BETH HILLEL
Community Israëlite Libérale de Belgique,
Avenue de la Cambre 96, 1190



The Almaty Orthodox Cathedral is one of the largest wooden religious structures in the world (above); the international fair ground and exhibition center in Almaty (right); the Medeo speed-skating rink - the largest in the world - 1,700 meters (1,800 yards) above sea level (far right).

Kazakhstan



NEW PLAYER JOINS THE INTERNATIONAL BUSINESS WORLD

Kazakhstan hopes to join the top economic ranks.

After a certain amount of euphoria in 1994, significant changes were expected to take place during 1995 in the emerging independent Republic of Kazakhstan, the largest of the CIS's Central Asian Republics (it is the size of the whole of Western Europe, with a population of 17 million). It has vast oil and gas resources, which some believe could make it the "Kuwait of Central Asia" in the next century.

Oil and gas
More than 50 oil companies have already invested billions of dollars in joint ventures exploiting the hydrocarbon resources. Five years ago, there were only about a dozen U.S. companies active in the country; today there are around 100 - plus another 900 from other Western countries.

"Kazakhstan is an area of enormous potential, and its commitment to economic reform and an open market economy is creating favorable investment opportunities for foreign companies," says Lucien O. Noro, chairman and CEO of Mobil Corporation, a major investor in the republic.

There is further support from the World Bank: "Kazakhstan's long-term economic prospects are excellent, given its vast hydrocarbon and mineral resources. Low external debt obliga-

tions, and well trained work force."

Sees pace
Because of the country's extensive resources - gold, coal, copper, chrome and other strategic industrial minerals, as well as agricultural products - investors have many opportunities. Rebuilding and extending the infrastructure - roads, rail, telecommunications and power generation - are high on the agenda.

Unfortunately, the pace of socioeconomic and political reform slowed during the

first half of 1995, but the year has ended on an upbeat note with a period of stabilization and indications of possible growth ahead. Nursultan Nazarbayev, who became the republic's first president in 1990, has mainly been governing by decree since the dissolution of the parliament last spring. He says that referendums this year supported a new democratic constitution and an extension of the presidency until the year 2000.

Afterward, Mr. Nazar-

Continued on page 13

PRESIDENT: TOWARD A MARKET ECONOMY

President Nursultan Nazarbayev, a former prime minister and First Secretary of the Republican Communist Party, became the Republic of Kazakhstan's first president in 1990. He began his career in a metal plant; later he graduated from college as an engineer and went on to become a doctor of science.

In an interview about his four years in office, President Nazarbayev comments on the problems of socioeconomic reforms, including privatization. However, he looks forward to a period of growth and stability as foreign investment begins to flow. Inflation is being brought under control, there is a positive trade balance, gold reserves are up, foreign debt is manageable at \$2.7 billion, and major banking reforms are in place.

Kazakhstan's mid-term future depends on its oil and gas exports. President Nazarbayev is outspoken about Oman's role in the breakdown in the Caspian Sea pipeline consortium. "Any further delay to the project will cause major damage to our economy," he says.

Recalling the words of former West German Chancellor Ludwig Erhard, the founder of post-war reforms in West Germany, President Nazarbayev says that the transition of Kazakhstan to a democratic, pluralistic society with a dynamic developing market economy means that the people have to go through the purgatory of reform "not just for the sake of the reforms themselves but so that they may emerge as a new nation."

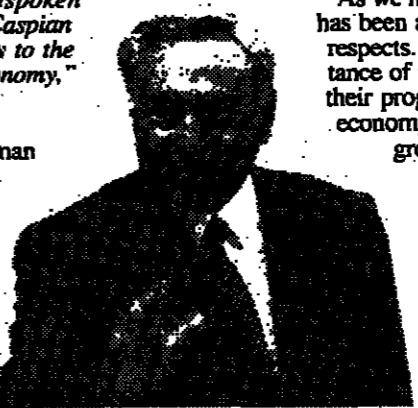
"We are still feeling the burden of

the past, both economically and psychologically. However, much has been done to lay the path for the future. We can say with confidence that all the prerequisites are there - progressive legislation, higher education, and a good skill base among the population. We have huge natural resources: we have industrial and agriculture sectors with considerable export potential.

"It is not mere chance that Kazakhstan, out of all the CIS and Eastern bloc countries, has obtained the largest share of new investments over the next 10 years. According to United Nations data, we are receiving \$47 billion out of a total of \$103 billion which is to be invested in the former communist countries. This means that these investors trust us and believe in our future. It is a trust that shall not be taken in vain."

"As we near the end of 1995, we can see that it has been a year of great change for us in many respects. Through our reforms, and the assistance of international financial institutions and their programs, we have stabilized our macroeconomy. Next year we will enter a period of growth."

"We are keeping within the national budget and have now brought inflation under control. In the 12 months ending last October, inflation has fallen from 125 percent to 50 percent... we do not expect it to exceed 12 percent by 1998. During the last nine months of



President Nursultan Nazarbayev

Continued on page 13

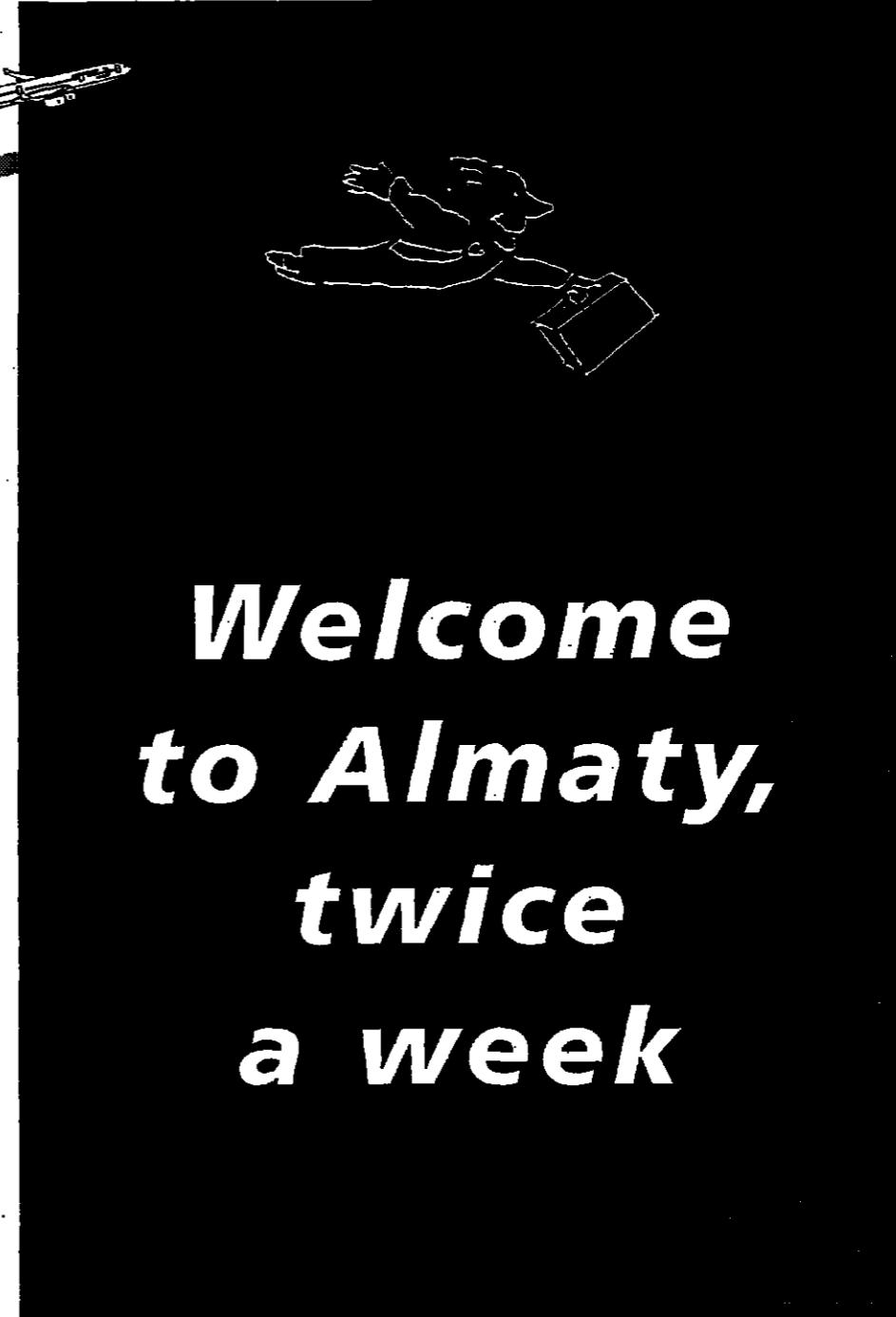
A WORLD OF GOOD THINGS.

At GE, we're committed to building our global presence, to build for the future.

From Kazakhstan to Australia, from Mexico and Europe, GE is working harder to bring more good things to more people's lives. And, looking ahead, that'll make a world of difference. For everyone.



We bring good things to life.



Austrian Airlines fly you rapidly and comfortably twice a week from Vienna to Almaty, Kazakhstan, with immediate onward connections from and to 33 Western European cities. Because of their long experience, Austrian Airlines are the leading expert on Eastern Europe. Added to this is the short transfer time and the excellent geographical position of the Vienna International Airport. Thus the best way to Eastern Europe is usually through Vienna.



Welcome To
AUSTRIAN AIRLINES

INDIA: Nuclear Test?

Continued from Page 1

on condition of anonymity, said that if India exploded a nuclear bomb, it would be "a serious setback to nonproliferation efforts."

"The United States is committed to the early completion of a comprehensive test ban," the official said.

"We are observing a moratorium on nuclear testing and we have called upon all nations to demonstrate similar restraint."

But not all nations have heard the call.

India says publicly that it wants the complete elimination of nuclear weapons. But its nuclear hawks argue that the United States and Russia will never live up to that ideal and that a comprehensive test ban not linked to drastic reductions in the world's nuclear arsenals could leave India a third-rate nuclear power.

Mr. Miliband said India did not have a great archive of test data for nuclear weapons that could be mounted on a warhead and placed on a missile. "Once the test-ban treaty comes in, they will be data-poor," he said. "A test now would supply them data, it would be a tremendous plus for the Congress Party, it would give them a big boost in the elections."

Political pressure for a nuclear test is building among India's right wing. "They are saying: 'What are we sitting around for? Why should we sign a test-ban treaty not linked to the reduction of nuclear weapons?'" said Selig S. Harrison, an expert on South Asia at the Carnegie Endowment for International Peace.

In 1974, India exploded what was believed to be a Hiroshima-sized bomb equal to 12,000 tons of TNT, which it called a "peaceful nuclear explosion." It renewed its program some years later.

SOCCER: Joys of Free Agency

Continued from Page 1

small club to sell off young talent before the contract expires. Free agency is likely to drive up the price, so the wiliest small clubs should benefit. Johansson could protect the others by negotiating with the unions a minimum age for free agency, similar to that in baseball. Say, perhaps, that a player could be transferred under the old system until he reached 20 or 21.

"The message from us is: 'Don't panic—let's get around the table and talk,'" said Graham Kelly, head of the English Football Association, which oversees the 92 clubs in England. "Hopefully there will be a period of discussion with the European Commission, as they presumably have the task of implementing the judgment we have heard today, and there will be chance for negotiation between the players' unions and UEFA, representing the national associations such as ours."

The implications of the judgment have to be talked through and considered."

Meanwhile, other sports federations are wondering when their day will come. All of the other professional games in Europe are founded in transfer fees and limitations on foreigners.

MONEY: EU Leaders Baptize Currency - the 'Euro'

Continued from Page 1

declined to commit itself to taking part in a single currency, issued his bluntest warning yet that it could permanently divide Europe by creating a "privileged elite" of countries that participate. That, he warned, would risk a breakdown of the bloc's single market and pose an insurmountable barrier to the EU membership ambitions of the Eastern European states.

But their concerns were quickly overcome by an emotional intervention by Chancellor Helmut Kohl of Germany. Mr. Kohl said the leaders needed to draw inspiration from the signing of the Balkan peace agreement in Paris the day before, where the presidents of

Serbia, Croatia and Bosnia-Herzegovina overcame their own distaste for the accord in the broader interest of peace.

Monetary union is a vital step toward Europe's eventual political union, Mr. Kohl said. "And political union is about freedom and peace," he added, according to an official present at the meeting.

The EU leaders also agreed to begin negotiations on reforming EU governing structures to enable the bloc to expand into Eastern Europe with a special summit meeting in Turin on March 29.

But they remained divided on the reforms themselves as well as the pace and scope of expansion, with Scandinavian countries pressing to begin ne-

gotiations with all 10 prospective Eastern members and Germany, seeking to start first with Poland, the Czech Republic and Hungary.

The leaders, who are to meet the heads of government of the Eastern states here Saturday, were expected to agree on a formula hinging the start of negotiations on a European Commission assessment, sometime in 1997, of which Eastern countries have carried out sufficient economic and political reform.

The agreement Friday will enable EU finance ministers and central bankers, as well as private banks and companies, to start the detailed technical work needed to introduce the currency in stages between 1999 and 2002.

BOOKS

THE RIGHT TO PRIVACY

By Ellen Alderman and Caroline Kennedy. 405 pages. \$26.95. Knopf.

Reviewed by Bill Farrell

THE U.S. Constitution does not contain the word "pri-

vacy." Nevertheless, the Supreme Court has recognized a constitutional right to privacy that protects a collection of related rights ranging from a parent's right to send his or her child to private school to an adult's right to marry and a woman's right to obtain an abortion.

Years ago Justice Louis Brandeis proposed a far more expansive vision of the right to privacy, which he described as "the right to be let alone." In their new book, lawyers Ellen Alderman and Caroline Kennedy, co-authors of a layperson's guide to the Bill of Rights called "In Our Defense," argue that the majority of Americans

share Brandeis's view. Yet, as a practical matter, the right to privacy as Brandeis defined it is not a right at all; standing alone, it lacks any force of law, offering no legal protection to those who would invoke it.

Thus anyone wishing to vindicate a privacy interest embraced by the Brandeis ideal must turn to the hedgehog of legal guarantees from disparate sources — the federal and state constitutions; various federal and state statutes; and certain judicial precedents — that protect some aspects of privacy. In many instances, the person seeking relief discovers that either he or she has no legal grounds upon

which to request redress or that other interests override his or her privacy concerns.

Alderman and Kennedy examine the state of the Brandeis ideal in American society by measuring it against the divergent legal protections actually available for different elements of privacy. Breaking privacy down into distinct categories, such as "Privacy v. Law Enforcement" or "Privacy v. the Press," the authors devote a section to each. They further divide each category into a number of subcategories, which usually involve a detailed discussion of an illustrative case, immediately followed by a "Passing Judgments" section — thumbnail sketches of cases involving similar issues but not necessarily having similar outcomes.

It's a fortunate choice of format, allowing the authors to provide the reader with a solid sense of the many issues involved with privacy questions while (through the "Passing Judgments" sections) giving a strong impression of the degree of flux in the law surrounding each controversy. In analyzing the legal issues suggested by each case, the authors set forth easily understood explanations in simple language. They also explore the "real world" concerns and effects each case en-

tails. As a result, they neither forget nor allow their readers to forget that these cases affect real people, sometimes profoundly.

Those interested in a rigorous philosophical approach to jurisprudence will find "The Right to Privacy" disappointing. Certainly no one should read this book as preparation for arguing a privacy case before the U.S. Supreme Court. But anyone hoping to understand the sometimes precarious state of privacy in modern America should start by reading this book.

Bill Farrell, an attorney and writer, wrote this for The Washington Post.

Iraqi-Bound Shipment of Missile Parts Originated in Russia

By R. Jeffrey Smith
Washington Post Service

WASHINGTON — United Nations investigators have determined that an Iraqi-bound shipment of sophisticated equipment seized by Jordanian authorities last month was built in Russia and may have been designed for use in long-range missiles, according to diplomats.

The shipment, valued by the United Nations at more than \$25 million, was seized on a Western government's tip days before it was to be shipped to Iraq, the sources said.

They said it consisted of around 100 sets of guidance equipment, such as accelerometers and gyroscopes, which Iraq may have wanted to use in banned missiles capable of carrying chemical or biological warheads.

The equipment was shipped in 30 or so boxes to Amman in August on flights that originated in Moscow, according to three diplomats. But Washington is uncertain whether the export was sanctioned by the government or was the work of criminals.

If it is confirmed that the equipment was meant for use in long-range missiles, it would mark the first occasion that such advanced missile technology had been exported from Russia to a country considered hostile to U.S. interests.

If the export was approved by Moscow, it would be a violation of Russia's pledge to abide by the terms of the Missile Technology Control Regime. It would also violate Russian promises to adhere to the trade embargo imposed on Iraq after the Gulf War.

If the Russian export was illicit, it suggests

that long-standing U.S. fears that such arms technology would eventually leak from Russia are being borne out, a U.S. official said on condition he not be named. He said there was a "very real" possibility that the shipment was provided by black marketers who obtained it from the Russian military's stockpile.

Although the Clinton administration has not raised the matter directly with the Russian government, the Ministry of Foreign Affairs in Moscow last week denied any knowledge of the shipment. U.S. and UN officials said the denial was not credible, however, because the parts were clearly marked and recognizable.

Documents obtained by the United Nations indicate that the missile parts had been ordered by the Karama research center near Baghdad, where Iraq continues to work on missiles with a range of less than 150 kilo-

meters (about 90 miles). Such missiles are allowed by the cease-fire resolutions approved by the United Nations, which sought only to prohibit weapons capable of threatening Iraq's neighbors.

But Iraq has not claimed it was trying to buy the parts to use with such short-range missiles; it instead has sought to pin the blame for the attempted export on an overly enthusiastic Jordanian businessman who it claims tried to sell the banned parts on at least two occasions this year without ever receiving an Iraqi offer or negotiating a contract.

The Iraqi industrial facility refused this offer categorically, in compliance with United Nations resolutions, the official Iraqi press agency said in a statement last week.

Deputy Prime Minister Tariq Aziz, who is visiting the United Nations this week to seek

an early lifting of the punitive trade embargo, told UN officials Tuesday that the seller had been arrested by the government pending a full investigation. He also said the incident had resulted from a conspiracy to undermine Iraqi cooperation with the United Nations.

A diplomatic source identified the business man as a Palestinian from Gaza named Wiyam Abu Ghareeb, and said his company's name was listed on the shipping manifests for the equipment.

U.S. officials said Iraq may have wanted to use the guidance equipment on banned medium-range missiles, which they suspect remain hidden in Iraq. Alternatively, Iraq may have wanted to stockpile the equipment until it could produce other vital long-range missile components, which would require years to complete.



UNFLAGGING FERVOR — Banner-waving Palestinians welcoming Yasser Arafat, chairman of the Palestine Liberation Organization, to Nablus on Friday after Israel withdrew its troops from the West Bank town after 28 years.

Austrians Go to Polls Sunday

Reuters

VIENNA — Austrians will vote Sunday in an election triggered by the collapse of the 11-month-old coalition government in October.

The grand coalition between Chancellor Franz Vranitzky's Social Democrats and Foreign Minister Wolfgang Schüssel's conservative People's Party fell apart just a year after the last general election in a dispute over the 1996 budget.

If the players are to make the most of their newfound freedom, they must form a single voice as strong as that of UEFA.

Bosnia is seeking 30 million Belgian francs (\$1 million) in lost earnings and compensation from UEFA and the Belgian soccer union, claiming he has been blacklisted from the sport.

At 31, and not having played

MIDEAST: U.S. Is Encouraged

Continued from Page 1

15th trip to the Mideast as secretary of State is that it is no longer a question of whether Syria and Israel will make peace but how — how to negotiate in a way that requires neither to yield in advance on issues of principle.

U.S. officials said this is one of those moments in diplomacy when procedure is the same as substance: A question of who should negotiate, in what form and by what ground rules is as important as the issues themselves.

There is no pattern for such situations, one senior official said.

In the Bosnia peace negotiations in Ohio, he said, people who had known each other for years and spoke the same language were able to drop into each other's quarters at night

and raise issues in an informal way.

Such an environment would not be appropriate for the Israelis and Syrians, he said.

Mr. Christopher and other U.S. officials said the assassination of Mr. Rabin has somehow convinced Mr. Assad that it is time to move quickly toward a regional peace — not just peace between Israel and Syria, but peace that would include Saudi Arabia and other Arab states that are willing to enter the fold but have been waiting for Syria's lead.

"Under some circumstances the assassination of the prime minister might have thrown the peace process off track but under these circumstances it seems to have caused the parties to recommit themselves to the process with even more determination," he told reporters aboard his plane.

The appearance Friday night was Mr. Yeltsin's first public address since he was hospitalized in October after his second heart attack in four months.

Mr. Yeltsin's TV appearance was followed almost immediately by one by Prime Minister Viktor S. Chernomyrdin, who heads the government's party. Our Home is Russia.

RUSSIA: Provinces Rebuff Moscow's Appeal

Continued from Page 1

was twice laid off from state-owned factories that collapsed shortly after communism did four years ago.

She said she was content with her income of \$180 a month, but certainly did not credit the government with her success.

Chernomyrdin keeps making promises," she said scornfully. "He already has power, so why can't he keep them?"

But there are officials in Kaluga who are working hard to coax angry voters to back the pro-government party. Our Home is Russia.

Most notable is the popular mayor, Anatoli Minakov, who is taking advantage of his office — and the coincidence that the party's local candidate shares the same name — to push Viktor Minakov onto voters' ballots.

"By law I am prohibited from campaigning," Mr. Minakov said with a twinkle, "so unfortunately, I have to help him in a clandestine manner."

■ **Zhirinovsky Aims West**

Vladimir V. Zhirinovsky, the nationalist leader fighting to keep his supporters from drifting away to rival groups,

capped his election campaign Friday with a xenophobic tirade blaming the West for all of Russia's problems. Reuters reported from Moscow.

"While you were chewing gum and eating Snickers bars," Mr. Zhirinovsky said, referring to the West, "we were conquering space."

Mr. Zhirinovsky caused a sensation in the 1993 election by capturing nearly 23 percent of the vote, but his support has fallen off sharply.

POLITICAL ANALYSTS say he still appeals to uneducated voters but the novelty of his populist appeal to Russia's collective inferiority complex toward the West has worn off.

He renewed calls for Russia to reclaim "lost territories."

"Where are our Grand Duchies of Finland and Warsaw?" he asked. "Where are our Alaska and California, handed to the Americans under a lease which expired in the 1960s?"

His main broadside was reserved for Western countries, in particular the United States, which he described as "a country of emigrants and bandits" that had plotted to dismantle the Soviet Union in 1991.

■ **Dining Out**

AMSTERDAM

DE VLIJGENDE SCHOTEL

Vegetarian kitchen

Open daily 16.30-22.30

Kitchen open 12.30-22.15

NEUVE LIESTRAAT 16/2

Reservations: 02-6252041.

BRASSERIE DE ROODE LEEUW

Real Dutch Cooking

Open from lunch until

22.30. Tel.: 020 5350665. Reservations recommended.

All major credit cards.

HAESJE CLAES

Real Dutch Cooking

Open from lunch until

22.30. Tel.: 020 5350665. Reservations recommended.

All major credit cards.

Restaurant Christophe

Southern French Cuisine

"Best Restaurant Nederland" #1

Leliegracht 46-1015 HS Amsterdam

Tel.: +31 20 6250607 Fax: 0309132

PARIS 2nd

International Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Unruly Russian Reform

The course of reform in Russia has been disorderly, and there is no reason to think it will be less so after Sunday's parliamentary election. A dizzying array of parties and candidates is competing for the 450 seats in the state Duma, or lower house. Many of them are committed to slowing reform, some are sworn to end it.

The Communist Party, so recently disgraced, seems positioned for a come-back. Nationalist candidates look strong in many districts. The centrist political party of President Boris Yeltsin and Prime Minister Viktor Chernomyrdin seems as sickly as its leader.

This is not the straight line to stability that Russians might have wished for when the Soviet Union disintegrated four years ago, or that Americans might have imagined as they watched Russia discard centuries of autocratic rule.

But as some of Russia's erstwhile allies in Central Europe have already shown, the passage from tyranny to democracy is going to be long and uneven, and democratic elections will not always produce democratic leaders. Communists of one stripe or another have returned to power through elections in Bulgaria, Hungary and, most recently, in Poland. Russia could be next. This is cause for concern, but not despair. Russia is not in danger of slipping back to Stalinism, nor is the Cold War about to resume, even if the Communists win the largest bloc of seats.

Political and economic reform has already transited sufficient ground to make some change virtually irreversible, including the transfer to private ownership of much of Russia's economy and property.

For better or worse, every major political party has a stake in the widespread redistribution of wealth that is going on in Russia. As John Lloyd of the Financial Times observed at a recent symposium

organized by Harvard University's Kennedy School of Government, the election is really about who will control that redistribution, not whether it will stop.

The elections themselves are the surest sign that reform is sticking. The Communist Party will only do as well on Sunday as Russian voters say. That is not what Lenin would have endorsed.

Russians, like Americans, are anxious about economic uncertainty, and there is much to be uncertain about in Russia. Although inflation has stabilized and the economy shows signs of growth, income inequities are glaring and widening. Some Russians have made a fortune in the free market or through the acquisition of government assets. Many others live austere lives, and too many, especially the elderly, have fallen into desperate poverty.

The discontent over economic hardships has been compounded by a loss of national pride as Russia's international status has slipped from superpower to second-rate power. Crime of all kinds is rising. Add to that Mr. Yeltsin's erratic leadership, particularly his disastrous military campaign in Chechnya, and it is not hard to see why many Russians would be drawn to the soothing promises of Communists and nationalists, who preach order and a revived empire.

Under Russia's new constitution, Parliament is overshadowed by the presidency. Unless one party or a coalition of parties can control two-thirds of the seats, the number required to override presidential vetoes, the legislature cannot itself change the direction of Moscow's domestic and foreign policies. But in tandem with presidential elections scheduled for next June, the vote this Sunday will help determine whether Russia is ready to accelerate or slow reform.

—THE NEW YORK TIMES.

Irresolute on Troops

This is the Congress and these are the Republicans who, you will recall, loudly insisted that President Bill Clinton should consult them on Bosnia. So how did these worthies respond once he did? They finally came down on the side of supporting, or at least tolerating, his already-taken decision to add Americans to the troops of 29 other countries trying to keep the peace. But they did this as much by default as by decision and in a manner that makes Congress look even less resolute than many legislators think the president himself has looked in the past on this issue.

It's one thing that some in Congress voted against the dispatch of American forces. We think the troops are being sent to serve important American interests of European stability, Atlantic cohesion and American global leadership. But we can understand outright opposition. The Bosnia issue has been tangled and difficult from the start, and there was always a case to be made — in our judgment a wrong case — for staying out. Senator Phil Gramm and like-minded others deserved to lose on the merits. But at least they voted, presumably, the way they believed, and they stand to pay politically if things work out more or less well.

As for those who said the mission was wrong but refused to vote their ostensible conviction, that's another story. This category includes large numbers in the House and lesser numbers in the Senate. These folks wanted to have it both ways: to avoid responsibility for a bad outcome in Bosnia but to share in the political fruits of a good

—THE WASHINGTON POST.

A Tenacious Champion

The progress of "education reform" is always hard to track: Where are all these "reforms" going, and how can we tell when they get there? One of the few voices that helped answer the latter question was that of Ernest L. Boyer, who died recently. Mr. Boyer, head of the Carnegie Foundation for the Advancement of Teaching, had been commissioner of education under President Jimmy Carter, and before that the president of the State University of New York. He was once introduced to a Washington gathering as "a man who has never had an unthoughtful thought."

But Mr. Boyer's real contribution, in a debate that tends to be by turns faddish and cacophonous, was not just to be widely heard but to cling tenaciously over the years to a few simple principles. One was that the U.S. high school diploma should mean something: Schools, school systems and state legislatures should cease giving graduation credit for shopping mall-style electives or "business math" and insist on solid fare such as four years of English, two of algebra and history in place of "social studies."

That insistence prevailed in enough places and has been in effect long enough

—THE WASHINGTON POST.

to have produced results, as high schools report toughened standards and a few colleges say students are better prepared.

Another strongly held Boyer view was that early childhood education and nutrition made a dramatic difference in children's futures; yet another, that the large schools so popular in the 1960s and '70s were bad for students who, especially in urban systems and at the middle school level, were suffering already from a lack of adult attention. "Too often when students 'drop out,'" he wrote, "nobody has ever noticed they had dropped in."

These ideas, neither complicated nor trendy, can be all the harder to focus public attention on for their lack of drama. But they need to be stated, and stated over and over as the wave of "education reform" launched by the 1983 report called "A Nation at Risk" gets increasingly diffuse and degenerates into political quarreling. More than anything else, education — real education that gets somewhere — implies long and low-key effort, sustained attention to the child at hand. Mr. Boyer was such an educator, whose patience and consistency carried as much influence as the quality of the ideas he put forward.

—THE WASHINGTON POST.

Following a Trail of Blunders to Bosnia's Trenches

By A. M. Rosenthal

NEW YORK — And now it has come about. As always, air bombardment has led to commitment of ground forces.

At any hour, American troops will enter winter trenches to risk their lives in Bosnia. They will be there because of the arrogance, errors and misjudgments of Western diplomacy; the murderous hatreds of the people they will be trying to lead to peace, and because of certain political personality traits of their commander in chief.

Bosnian Serbs, aided by Serbia, went to war to stay out. So, four years later, sure enough, here come the Americans to measure the trenches.

Bosnian Serbs' atrocities brought world opinion against them. They had a good political case, but among the throats they cut was their own.

Bosnian Serbs will be in the war-crimes dock and so will some Muslims and Croats. My candidates are two men heavily responsible for the carnage — President Slobodan Milosevic of Serbia and President Franjo Tudjman of Croatia, old-time Communists who share a taste for what smells like fascism. But Mr. Milosevic is America's chief negotiating partner now, and Mr. Tudjman is America's ally, gathering in the chips. They won't be in the dock — or trenches.

Candidate Clinton said one thing, President Clinton another. But the administration did believe and pray that this mess America should stay out of.

Well, we know Mr. Clinton — he changes his mind. He thought he was losing face and credibility — the oldest and worst reason for taking a country to war.

It does not seem to have come across in the White House that when a president changes his mind in foreign affairs, people suffer, and the world remembers. Mr. Clinton broke his word about using tariff pressure to get Beijing to ease its arrests and tortures. Naturally, ever since the Communists have been ar-

resting and torturing more dissidents. Mr. Clinton's change on Bosnia will change some American lives, unto death. He says now he always was in favor of supporting peacekeeping with U.S. troops. But American troops are smart enough to see that this is not peacekeeping.

If it were just that, it would not need a large foreign army, including about 20,000 Americans in Bosnia. No such "peacekeeping" has ever been suggested anywhere else.

This is enforcement — of a

partition that could have been obtained years ago, if Western politicians and intellectuals had not become so fascinated with the mirage of a "unitary" Bosnian state that had never existed.

Then at the last minute, Mr. Clinton had another mind change. He accepted Senator Bob Dole's demand that the United States arm the Muslims while its troops are supposed to be keeping the peace between them and the Bosnian Serbs.

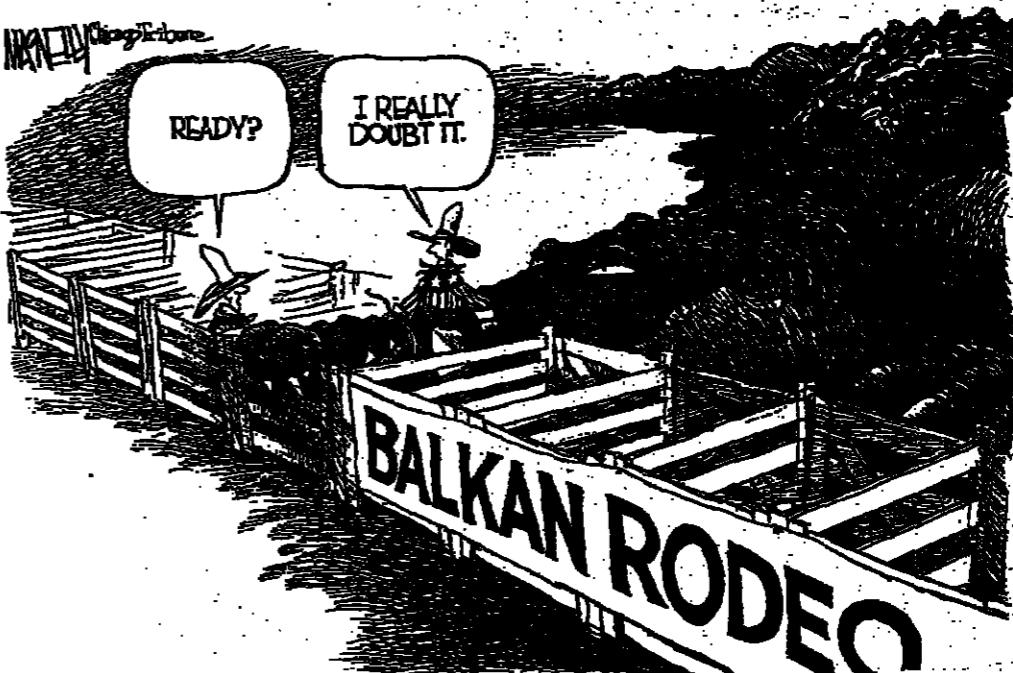
This neatly guarantees that the Bosnian Serbs will see Americans as the enemy. But, lucky Bill again: It also means that

between Mr. Clinton and Mr. Dole, his likely Election Day opponent, any difference on Bosnia is erased.

Mr. Clinton says he had to order in the troops for the sake of the North Atlantic Treaty Organization. Otherwise, presumably, its members would get so mad they might not ask America to send its forces the next time, a corner of Europe gets itself in trouble.

Maybe that thought will warm and comfort American troops in Bosnia more than it does their relatives at home.

—The New York Times.



Peacekeeping Up to Now: Under Fire from Friend and Foe

By Brian Urquhart and Michael Doyle

NEW YORK — International intervention in the former Yugoslavia, with the exception of the preventive UN force in Macedonia, is widely held to have been, so far, a chapter of errors and shortcomings.

In insufficient attention at the outset to the looming disaster, the premature recognition, in spite of the negotiators' warnings, of Croatia and Bosnia; lack of firm international response to violence and atrocities in the opening months of the tragedy, and later on the proclaiming of "safe areas" without providing either the mandate or resources to guarantee their safety — all contributed to a profoundly unsatisfactory situation.

Strangest of all, in retrospect, is the back-to-front nature of international intervention in Bosnia. When there was no peace to keep, UN peacekeeping forces were deployed. Now that a peace agreement has at last been concluded, a massive enforcement force is being made ready.

For more than three years, these unusual arrangements have left the UN peacekeepers and civilian workers on the ground in a uniquely awkward and frustrating position, and it has been convenient to blame them for some of the worst failures. A few of the UN Protection Force, or UNPROFOR, contingents did fail to live up to their duties; a few in the leadership made mistakes. But before the next phase starts, the public deserves a straightforward account of how the United Nations approach to the Bosnian tragedy developed, what

bade after Dayton, only the British representative paid tribute to them or recalled the more than 200 of their number who have given their lives in the former Yugoslavia.

It is important to distinguish between what the Security Council mandated and equipped UNPROFOR to do and what some parts of the media and the public would have liked UNPROFOR to have done. UNPROFOR was very specifically not sent to help one side in the conflict, or to decide war on one side, but to mitigate the sufferings of war and to help promote peace. If it was to function properly, the force needed the cooperation of all parties. Were it to have declared war on one of the parties in the conflict, the peacekeeping force in Bosnia would inevitably have become part of the problem it was sent to solve, as happened in Somalia.

The Security Council sent

those who had to try to implement it on the ground actually did or did not do, and why.

In the aftermath of the Dayton agreement there has been a deafening silence about the UN soldiers and civilians in Bosnia, although they can still be seen on television carrying on with the job. In the Security Council de-

UNPROFOR, a peacekeeping force, into a war situation because the not-so-united nations that make up the Council were unwilling to contemplate any one of three drastic alternatives: allowing the Serbs a free hand to "ethnically cleanse" Bosnia, partitioning Bosnia in order to conduct a UN transfer of populations ("benign cleansing") or actually going to war to create a unified Bosnian state. Only the Bosnian Serbs wanted the first; only the Bosnian government the last, and nobody was prepared to do the second. Regrettably, the Security Council was also unwilling to provide the forces that UNPROFOR required to meet the mandate it had been given.

The successive mandates that the Security Council gave UNPROFOR dictated a dispersal of its lightly armed forces and thus precluded more forceful action even if this had been authorized.

When the Security Council set up the "safe areas," it did not ask UNPROFOR to defend or protect these areas, only to "de-escalate" them and, in extremis, to call in air strikes in self-defense.

The secretary-general asked for 34,000 soldiers to provide "deterrence through strength" in the so-called safe areas. When the Security Council chose to authorize only 7,600 troops, which then took a year to arrive, it initiated a dangerous bluff. Representations by UNPROFOR commanders about the nonviability of this mandate seem to have fallen on deaf ears in the Security Council.

The meager UN forces in the safe areas thus became dependent on the cooperation of the surrounding Serbs for their lines of communication and daily survival.

UNPROFOR responded to the general demand to do something about Bosnia, but it was not authorized or equipped to create by force the results that much of the media and many politicians were clamoring for. In practice, its very limited objective was to contain the situation and to do what it could for the victims of war while a fourth alternative was pursued — political negotiations to achieve a solution acceptable to all the parties.

What did UNPROFOR, with the constraints of mandate and resources, actually achieve?

Certainly a decline in deaths in direct proportion to its deployment — from 130,000 deaths in 1992 to fewer than 3,000 in 1994 — bad enough, but still a notable improvement.

The international community was thus committed firmly to a negotiated, not a military, solution.

Only now that a solution has been negotiated will a much more heavily armed NATO force be committed, albeit with much anxiety and apprehension.

As the men and women of UNPROFOR and the humanitarian relief effort, veterans of three years of violence and stress, help the newcomers acclimate themselves, it would be appropriate to appreciate what they have done rather than fault them for not doing what the world neither authorized nor equipped them to do.

—Mr. Urquhart, a scholar in residence at the Ford Foundation, and Mr. Doyle, a professor of politics at Princeton University, contributed this comment to the International Herald Tribune.

Mixed Messages from America Encourage Chinese Rights Abuses

By Jim Hoagland

WASHINGTON — Physicians promise as their first duty to do no harm. The brutal prison sentence handed down against Wei Jingsheng, the world's leading political dissident, demonstrates that the Clinton administration needs to follow that oath in dealing with human rights activists in China.

The White House and the State Department have paid episodic and inconsistent attention to Mr. Wei and China's other heroic campaigners for democracy, first offering rhetorical support and then showing where that would be no significant White House retaliation if Beijing resumed its persecution of dissidents.

That pattern has done harm. It contributed to the Communist gerontocracy's harsh treatment of Mr. Wei, sentenced last Wednesday to 14 years in prison for calling for democracy in China. At 45, Mr. Wei has already spent 15 years in jail and is poor health. It is not clear that the former electrician, who was a founder of the Democracy Wall movement in China, will survive this imprisonment.

Mr. Wei has become to China's democrats what Alexander Solzhenitsyn and Andrei Sakharov were to Soviet dissidents: the living symbol of a movement's hope and courage. But Western governments and international organizations such as the Nobel Peace Prize Committee have not offered Mr. Wei the same recognition and support that was given the Russian ideological chain breakers.

Worse, the Clinton administration has pursued a two-track, two-level policy toward China that has effectively nullified itself. Amer-

ica's bad cop, in the modest person of Assistant Secretary of State for Human Rights John Shattuck, goes about his beat unarmed. The good cops, President Bill Clinton and Commerce Secretary Ron Brown, distribute benefits to the Chinese dictators that implicitly tell them to pay no attention to Mr. Shattuck's rude remarks.

Six months after he was released from prison in September 1993 — when China was bidding unsuccessfully to host the Olympic Games in 2000 — Mr. Wei met with Mr. Shattuck in Beijing for a discussion of human rights. Mr. Shattuck flew back to Washington while Beijing denounced Mr. Wei anew as a "criminal" and seven carloads of policemen descended to arrest him on April 1, 1994.

Mr. Wei's name was on a list of four Chinese dissidents that President Clinton gave President Jiang Zemin in New York this October. Mr. Jiang took the political prestige Mr. Clinton awarded him with the meeting and then seems to have lost the list of those for whom the United States sought clemency. The U.S. president made no public mention of Mr. Wei in the months that led up to the one-day trial and harsh sentencing of Mr. Wei this past week.

Mr. Shattuck is no doubt a good man in a difficult situation. He clearly meant Mr. Wei no harm. There is nothing intrinsically wrong about the meeting he had with Mr. Wei, which in other circumstances might have offered a persecuted dissident visibility and protection.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

Since Jimmy Carter, Democrats have been more reluctant than Republicans to own up to the necessarily selective nature of any human rights policy, for a global power.

In China, the administration has constructed a failed policy around its embarrassment, and arguably made things worse for a courageous man who will one day have statues erected to him across a free China.

Washington Post Writers Group.

—Jim Hoagland

1895: Plot Against Tsar

CRACOW — It is announced here that the Tsar has again received threatening letters from nihilists, and according to despatches from Moscow an actual conspiracy against His Majesty's life has been discovered in that city. It is added that several bombs which were to have been seized by the conspirators have been seized by the police, and that many men and women have been arrested. Among them is the well-known nihilist leader Rasputin and his young bride.

Consider how Richard Holbrooke handled not being able to punish human rights violators in Bosnia through the Dayton peace

accord he negotiated. When reporters or Congress pressed him on this during the difficult negotiations, Mr. Holbrooke consistently deflected the questions by citing Mr. Shattuck's frequent visits to Bosnia and his statements there as evidence of the administration's moral concern. The effect was to insulate the Dayton diplomacy with the well-intentioned but largely ineffective quest for justice by the department's human rights bureau.

—IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1945: Demands on China

WASHINGTON — President Truman called today (Dec. 15) for a quick political unification of China, beginning with a truce between the Communists and Nationalists. He backed his plan with outright American pressure, and justified American intervention in the interest of Chinese unity on the ground that such unity is vital to the peace of the United Nations. The President thus summoned General of the Army George C. Marshall with a specific program for putting an end to factionalism, and internal strife in China.

BRUSSELS — The conference of Allied and German financial experts, which is to examine

THE WORLD'S DAILY NEWSPAPER EVERY DAY FOR A YEAR.



Is there anyone you know who shares your international outlook and interest in world affairs?

Then what better gift could you send them than 365 days (6 days a week) of the International Herald Tribune's unique coverage of global events?

Thanks to our powerful news-gathering network, we offer an unrivalled perspective on international affairs, opinions, trends and influences.

As a bonus we are offering IHT subscriptions in a special seasonal package, at the reduced rates outlined in the following table. And, if you are an existing subscriber you will be awarded automatically a free week added to your subscription for every month you buy on behalf of a friend.

Country/Currency		12 months +2 months FREE	% SAVINGS for 1 year	6 months +4 weeks FREE
Austria	A. Sch.	6,000		3,300
Belgium	B. Fr.	14,000		7,700
Denmark	D. Kr.	3,400		1,900
Finland	F. M.	2,400	40%	1,300
France	F. F.	1,950	40%	1,070
Germany*	D. M.	700		385
Greece	Dr.	75,000		41,000
Great Britain	£	210		115
Ireland	£ Ir.	230		125
Italy	Lire	470,000		260,000
Luxembourg	L. Fr.	14,000		7,700
Netherlands	Fl.	770		420
Norway	N. Kr.	3,500		1,900
Portugal	Esc.	47,000		26,000
Spain	Ptas.	48,000		26,500
hand delivery Madrid	Ptas.	55,000		26,500
Sweden (airmail)	S. Kr.	3,100		1,900
hand delivery	S. Kr.	3,500		2,000
Switzerland	S. Fr.	610		335
For other European countries	\$ US	485		265

* For information concerning hand delivery in major German cities call toll free IHT Germany at: 0130-84 85 85 or fax (069) 175 413. Under German regulations, a 2-week free period is granted for all new orders.

Yes, I would like to give the gift of an International Herald Tribune subscription to a friend. The subscription term I prefer is (tick box):

12 months (plus 2 free months).

6 months (plus 1 free month).

I enclose a cheque for the relevant amount (payable to the International Herald Tribune).

Please charge my: American Express Diners Club VISA MasterCard Access

Eurocard Card No: _____ Exp. Date: _____

Signature: _____

For business orders, please indicate your VAT No: _____ (IHT VAT Number FR74732021124)

For existing subscribers only: Please invoice me

If you know your subscription number, please write it here: _____

My name is: _____

Job title: _____

My address is: _____

City/Code: _____ Country: _____

Tel no: _____ Fax no: _____

I would like to give the IHT to: Mr. Mrs. Ms.

Family Name: _____ First Name: _____

Job title: _____

Mailing Address: _____ City/Code: _____

Country: _____ Telephone No: _____

Please tick if you do not wish to receive mail from other companies.

Mail or fax to: International Herald Tribune, 181 Avenue Charles de Gaulle,
92521 Neuilly Cedex, France. Fax: (+33 1) 4143 92 10 OR CALL (+33 1) 41 43 93 61

via the



THE WORLD'S DAILY NEWSPAPER

ART

INTERNATIONAL HERALD TRIBUNE
SATURDAY-SUNDAY, DECEMBER 16-17, 1995

PAGE 8

Chipping Away at a Castle's Collection and a Cultural Heritage

International Herald Tribune

LONDON — Where do you draw the fine line separating the protection of private property and the safeguard of a nation's cultural heritage? And when these overlap, as is so often the case in countries with a long past dominated by an aristocratic or a patrician elite, how do you reconcile the two?

The latest battle fought on the auction scene proves that the multiple authorities involved in the decision-making process have not made up their minds.

This month, the question arose in connection with Castle Howard, the palace built in the early 18th century for Charles Howard, 3rd Earl of Carlisle. The architect John Vanbrugh conceived a gigantic structure inspired by French models the sheer maintenance of which is a crushing burden, almost unbearable for incomes pared down by 20th-century taxation. As each new generation is confronted with death duties and other obligations, the temptation to chip away at the cash-convertible art wealth proves irresistible.

Last week at Sotheby's, it was Orazio Gentileschi's "Finding of Moses," a monumental painting with life-size figures filling up most of the 257-by-301-centimeter (1014-by-1182-inch) canvas. Completed around 1633-1634 by the artist who had been appointed court

painter to Charles I in 1626, it is a pivotal work within the oeuvre of Gentileschi, and one that is intricately woven into the fabric of British history. While there is still some uncertainty as to whether or not it was commissioned by Charles I, it was certainly owned by him by 1649, as shown by the mention of the picture in an inventory.

Eventually, the collections of Charles I were dispersed and it took 150 years or so for the

SOUREN MELIKIAN

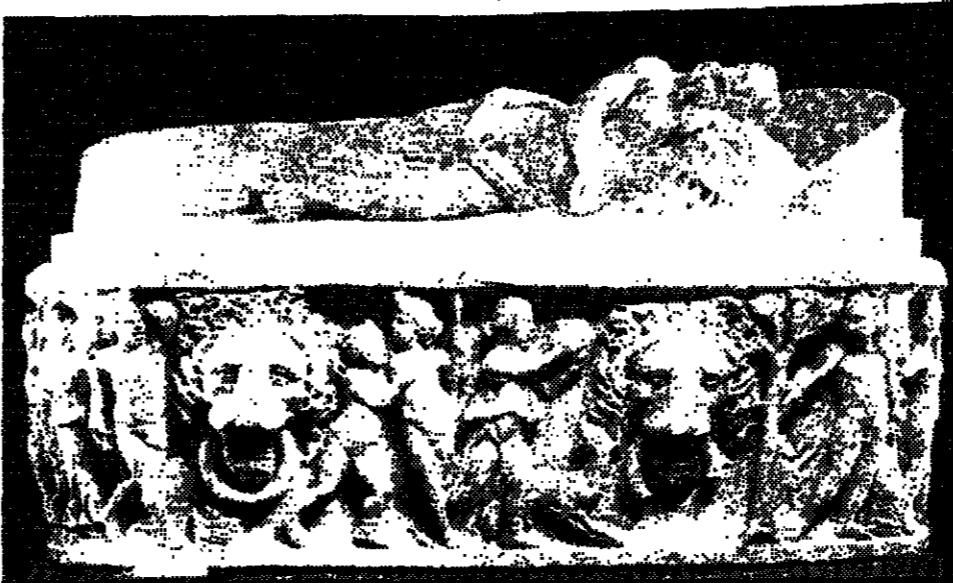
painting to find its way back from the Continent to Britain. From 1798 until its removal to Sotheby's, the Gentileschi hung at Castle Howard.

Here, a relatively happy ending may be in sight. The National Gallery went at it all guns blazing, determined to pin down the Gentileschi in the United Kingdom. At its request, an announcement was read out at the sale, stating in essence that the museum had tried, in vain, to buy the picture by private treaty and would continue to do so. In effect, it served notice that an export license would not be granted and thus cut down the potential value of the picture by excluding it from the international market. How the gallery will find the £5 million (\$7.7 million) it would cost the bidder to whom it was knocked down has yet to be determined.

No such possibly felicitous conclusion is in the cards concerning the sculpture that turned up this week in Sotheby's sale of Antiquities held on Thursday. One Egyptian granite statue of the kneeling king Amenhotep II; one marble sarcophagus partly Ancient Roman, third century, and three Ancient Roman marble busts, all removed from Castle Howard, were given the honors of a separate catalogue with a title trumpeting, "Ancient Sculpture from Castle Howard."

But these were no ordinary specimens of "Ancient Sculpture." They embody the aesthetic vision of an age that left its imprint on all aspects of its artistic activity.

The foundations of the collection were laid by Henry Howard, 4th Earl of Carlisle. The future earl's taste for Antiquity was kindled in 1717, while on his first Grand Tour, which took him to Italy at the age of 20. There, he met a dealer, Francesco de Ficoroni, who left a deep impression on his young mind. Famous as a gem dealer, de Ficoroni probably inspired his love of gems, which led him to buy as the new Earl of Carlisle, the entire collection of Cardinal Omboni. So famous was the collection that Horace Walpole, Britain's premier collector, acknowledged the tour de force by hailing the earl as "a great vir-



Roman marble Dionysiac sarcophagus for a child, bought by the British Museum.

tusos." And 150 years later, the British Museum underwrote that judgment by acquiring the collection.

During his second Grand Tour in 1739-1740, the young earl set about collecting on a large scale. His mentor and main agent was the inevitable de Ficoroni. Their correspondence from 1740 to 1745 survives in part, revealing the dogged determination with which the earl went after objects. But his attitude to them greatly differed from that of a present-day col-

lector. The carvings were restored, groomed, cleaned to a fine surface polish. Hoisted onto pedestals in the antique taste, the antiquities were refashioned to suit the 18th-century ideal of Ancient Art.

A second-century bust believed to represent Emperor Commodius (180-192) is the quintessential example. The face has been supplied with a new nose; locks of hair and part of one ear have been deftly restored, the eyes touched up. The bust is clad in folds that could

say nothing of filling in to cover up some nasty abrasions over the eyebrows and one eyelid, but the body, reduced to the top part of the shoulders and chest nearly cut out, has been completed into a well-round 18th-century bust. This used to be displayed at the foot of the Grand Staircase.

The third bust in the sale, showing Emperor Antoninus Pius, was likewise dolled up. The right shoulder and part of the right side were unfinchingly restored by some intrepid 18th-century sculptor. Much coveted in the 18th century, it was the object of protracted haggling echoed in the correspondence with de Ficoroni.

The ultimate in 18th-century refinement, however, is a marble sarcophagus carved in the third century with Dionysiac scenes all around, not just at the back as is usual in Roman sarcophagi.

The high-relief sculpture (also a rare feature; low relief was generally preferred) shows some restoration. For as the lid with a sleeping "Three Graces" bought for the nation at a cost of roughly £7 million? Pardon because no artist's name is attached to the sculpture and partly because the notion that a historic decor must be preserved in its integrity, movable objects included, is harder to understand.

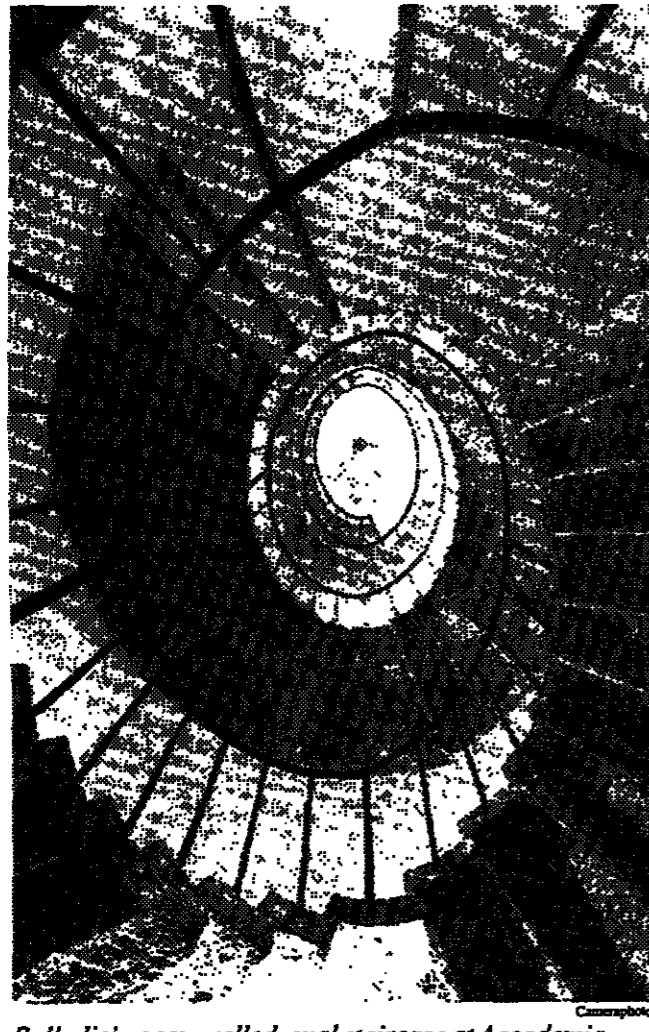
A marble portrait of the late second to early third century would have justified the characterization to an even greater extent. Not only are the nose and parts of the beard restored,

better sense as part of the archaeological displays at the British Museum, which bought it before the sale, is a moot question. As for the three marble busts, they failed to find a buyer — their appeal to 20th-century collectors with their overriding concern for strict authenticity is weak. It really wasn't worth impairing the integrity of a period collection. The only piece that prompted bidders to compete was Amenhotep II. It went for a huge £419,500. Here, restoration has not significantly altered its aesthetics. That, too, had long been part of the Castle Howard prop. It should have stayed there. Without these early Egyptian acquisitions, the Egyptomania of the Neoclassical age is harder to understand.

WHAT was so little fuss made over these works, in contrast to the excitement caused by the piece of 19th-century kitsch called the "Three Graces," bought for the nation at a cost of roughly £7 million? Pardon because no artist's name is attached to the sculpture and partly because the notion that a historic decor must be preserved in its integrity, movable objects included, has yet to be accepted.

With the sale, one more small chunk of Britain's past has been wasted into the anonymity of collectibles.

Accademia in Venice Opens a New Wing



Palladio's open-welled, oval staircase at Accademia.



"Archangel Raphael with Tobias and Saints Nicholas and James the Great."

By Roderick Conway Morris

International Herald Tribune

VENICE — The Accademia, one of the world's principal picture galleries, seems an unlikely repository for some of Venice's best-kept secrets. Yet the opening this month of an entirely new space, the Quadreria (Picture Room), with 88 panels and canvases, most of them never shown before, reveals that not only do the reserve collections, previously accessible almost exclusively to professionals, contain some real gems, but that the Palladian interior of the wing where they are displayed would justify a visit in itself.

From the early days of the last century the Accademia has shared its premises — the deconsecrated 15th-century Santa Maria della Carità church and scuola, or lay charitable confraternity meeting hall, and adjoining monastery, rebuilt by Palladio in the mid-16th century — with Venice's Fine Arts School, and both institutions (whose administrations were finally separated in 1882) have complained ever since of lack of space to pursue their different activities.

The opening of the Quadreria is also a milestone, therefore, in that it marks the beginning of a process over the next few years, during which the art school will refurbish its areas of the complex and move to the former Incubilari Hospital buildings on the Zattere, leaving the Accademia with vastly expanded permanent and temporary exhibition spaces. The dual purpose forced on the Accademia complex has, over the years, led to some bizarre architectural adjustments: notably the horizontal division of the 15th-century Venetian-gothic Carità church into two floors to accommodate artists' studios below and an open gallery space above, and the consignment almost to oblivion of Palladio's monastery buildings.

Palladio's original scheme for the restructuring of this, one of the city's most ancient religious houses was ambitious and based on the promise of the demolition of neighboring houses and the loss of a public street. In the end, the plan had to be scaled down to fit the existing site, but work began in 1562.

By Palladio's usual canons one might say that his new Carità wing was outside-in, given that its chief glories were not its external facades and features, but its inward-looking courts, porticos and interiors. This Palladio no doubt considered an appropriate arrangement for a monastery, but he also used the opportunity to re-create the interiors of his ideal conception of an ancient Roman nobleman's house, of the kind that he was to write about in his "Four Books of Architecture" (1570), using the Carità project in his examples.

The new offerings maintain a good standard into the 18th century. It is a pleasure, for example, to see Tiepolo's "Moses and Aaron," another wonderful fragment of the Scali church ceiling blown to pieces during the Austrian bombardment of Venice in 1915 (two are displayed in the main gallery), and many visitors may reckon that Piaggio's "Christ Crucified Between the Two Thieves" (which until a decade ago was displayed in the regular Accademia collection) is superior to "The Crucifixion" that has since replaced it.

The interior of the surviving part of his wing is entirely another matter. The new Quadreria is on the third floor, occupying a grand, almost hall-like

corridor, off which there were once monk's cells. It is reached by Palladio's long-inaccessible, open-welled oval staircase, which Goethe described as "the most beautiful spiral staircase in the world." Also illustrated in "The Four Books of Architecture," it is a daring piece of engineering, its slender monolithic treads projecting otherwise unsupported from the walls, creating an extraordinary feeling of轻ness and grace.

We are greeted at the door by a splendid St. Peter, standing keys in hand in a luminous trompe l'oeil niche, which used to adorn an organ door and has been attributed variously to Giovanni Bellini and Carpaccio. The latter is also represented by a sharply brilliant scene from the apocryphal Book of James. Outstanding in this period, however, is a late Cima da Conegliano (1459-1517) of "Archangel Raphael with Tobias and Saints Nicholas and James the Great."

The adventures of the boy Tobias and his faithful unnamed dog (which also appears here) constitute one of the Old Testament's quirkiest stories and this picture, while formally beautiful in its figures, coloring and landscape, evokes the convincingly human rapport between Tobias and the older-brother-like Archangel (the protector of the young and innocent).

Some of the works here have been previously held in reserve because of their delicate state of conservation, but others are characterized by a level of drama, even melodrama, that was perhaps judged by some earlier curators to exceed the decorum expected of an Old Master. Tintoretto is represented by five canvases, including a thunderous "Deposition of Christ," in which a haggard, deathly pale Virgin Mary has collapsed into a dead faint, her hand limply grasping the foot of her son; and Titian by a series of ceiling panels of vibrant, boldly colored panels of putti, evangelical beasts and masks done to accompany "The Vision of St. John in Patmos" (now in the National Gallery in Washington).

Among many striking works by lesser-known artists is a historical curiosity: Charles Le Brun's "Conversion of the Pharisee with Magdalene at the Feet of Christ," painted for the Carmelite Convent on Rue Saint-Jacques in Paris. It was painted off on Venice in 1815 "in exchange" for Veronese's masterpiece "The Marriage at Cana" (1563), using the Carità project in its examples.

The new offerings maintain a good standard into the 18th century. It is a pleasure, for example, to see Tiepolo's "Moses and Aaron," another wonderful fragment of the Scali church ceiling blown to pieces during the Austrian bombardment of Venice in 1915 (two are displayed in the main gallery), and many visitors may reckon that Piaggio's "Christ Crucified Between the Two Thieves" (which until a decade ago was displayed in the regular Accademia collection) is superior to "The Crucifixion" that has since replaced it.

The Quadreria is open free every Tuesday afternoon (to be extended to three to four afternoons a week next year). Entry, for a limited number of visitors, must be reserved by phone, (41) 713498, Monday through Friday, 9.30 A.M. to 1.30 P.M., or by fax (41) 713487.



Hirschfeld has "always envied people who can relax," but it's not for him.

7,000 Drawings Later Al Hirschfeld, in Cyberspace at 92

By Alex Witchel

New York Times Service

NEW YORK — In 1942, Al Hirschfeld was en route to City Hall with the German film star Dolly Haas when he panicked. But it wasn't the usual bridegroom jitters.

"I said, 'You know, I don't remember getting a divorce,'" he recalled recently. In 1927, Hirschfeld had married Florence Hobbs, a chorus girl, but the two had been separated for years. "So, I called Flo," Hirschfeld continued. "And she said, 'No, we never did get a divorce.' And I said, 'Good God, I'm on my way to get married.' And she said, 'Well, you'd better get a divorce first or you'll wind up in jail.'" He chuckled. "Back then, you couldn't get one for incompatibility. The only grounds were sleeping with another woman, because the hell that's called."

Adultery?

"Yes, that's it. I was thrown off the grand jury right after it turned out adultery was a criminal offense. So I couldn't serve."

He smiled philosophically, having seen it all, at age 92. But within his smile, lurking there behind his trademark beard and bushy eyebrows, was the unmistakable glint of anarchy. Just enough to explain why, throughout history, artists have preferred colonies. And why the rest of the world lets them.

Hirschfeld's marriage to Haas lasted 52 years, until her death from cancer in 1994. And Florence Hobby? "She went to Alaska, selling Helena Rubenstein cosmetics, makeup, whatever that is up there," he said. "That was her territory."

And this salmon-colored town house, where Hirschfeld has lived since 1947 (Dolly's name is still on the bell), is his. He works in his studio on the top floor seven days a week, drawing the ingenious caricatures that have appeared in The New York Times since 1925, and are included in the collections of the Smithsonian Institution, the National Portrait Gallery, and the Metropolitan Museum of Art, among others. For the last 26 years, he has sold his work through the Margo Feiden Galleries, which has afforded him a comfortable standard of living. "When we started, people would say he's not an artist, he's an illustrator or a cartoonist," Feiden said. "And I would say no, because he doesn't edit his work seven days a week?"

According to his gallery, he has made 7,000 drawings. He nodded. "I've always envied people who could relax, lie on a beach. Dolly and I went to Nantucket on our honeymoon. On the first day, after an hour with other people's radios, I said: 'Would you mind if we went to Boston? I can't take the heat; it's making me nervous.' Sid Perleman and Ogden Nash were there doing a run-through of 'One Touch of Venus.' I remember it was a Sunday afternoon." His relief was still palpable. "Marvelous," he said. "A dark theater."

He smiled. "People just enjoy different things. I'm not a great nature lover, and I'm terrible at sightseeing. But when I'd come back from Paris I would sit for hours in the window of Howard Johnson's at the corner of Broadway and 46th Street making little sketches, watching people go by. I find that stimulating. The insanities of people."

"I've never prided myself on knowing things," he said. "But a couple of young kids came up here and asked if I was interested in doing an e-mail. I said I don't know, describe it to me. So, they introduced me over this computer through typing, and then someone from California wrote in right away. I was fascinated by it."

In these surroundings, it is hard to imagine

Hirschfeld was seated in his barber's chair, salvaged from a long-defunct shop in the Chrysler Building. The black linoleum on the floor was cracked, the plants were dusty and a sign near his drawing board said, REMEMBER IT WAS AN ACTOR WHO KILLED LINCOLN. Other than being a little hard of hearing, he seemed decades younger than his age. "I grew up in St. Louis, and we had no electricity, gas or running water, just a pump in the kitchen," he said. "I remember when radio came in we would sit around with these crystal sets, and I would open and close the window because I found it difficult to believe these waves were coming in."

So much has changed in his lifetime, including the theater. "People dressed in tuxedos in top hats and tails," he said. "I can't get used to opening nights now when a fellow takes his coat off and he's in his shirt sleeves." He shrugged. "You roll with the punches to exist or else you're complaining most of your life." Another change, he said, is how artists and writers treat each other. "There was a long rolling period when everyone was considered a genius and praised each other's work, like the Round Table," he said. "Now, it's as if everyone is husbanding a secret, a gimmick they don't want to share with other people. It's become all cliquey now."

HE sighed. "But maybe it's not and it's just me," he continued. "I'm isolated. I lead an eerie existence here. In the evening, I go to the theater, which is my only contact with New York. Over the last 10 to 20 years, I just can't get used to the invitations I receive. Take a table for \$30,000. I don't know what they mean by inviting you to these things. I had been meaning to collect them, like speakeasy cards. They'll be collector's item someday."

Does he really work seven days a week? According to his gallery, he has made 7,000 drawings. He nodded. "I've always envied people who could relax, lie on a beach. Dolly and I went to Nantucket on our honeymoon. On the first day, after an hour with other people's radios, I said: 'Would you mind if we went to Boston? I can't take the heat; it's making me nervous.' Sid Perleman and Ogden Nash were there doing a run-through of 'One Touch of Venus.' I remember it was a Sunday afternoon." His relief was still palpable. "Marvelous," he said. "A dark theater."

He smiled. "People just enjoy different things. I'm not a great nature lover, and I'm terrible at sightseeing. But when I'd come back from Paris I would sit for hours in the window of Howard Johnson's at the corner of Broadway and 46th Street making little sketches, watching people go by. I find that stimulating. The insanities of people."

Has he ever figured them out? Does the wisdom of great age mean he can tell his grandchildren the meaning of life?

"No," he said without a moment's hesitation or the slightest hint of regret. "The only thing I'm confident of is a blank piece of paper."

ART EXHIBITIONS

Gerhard Richter

Selected Works 1963-1987

Catalogue available

Luhring Augustine

130 PRINCE STREET NEW YORK 10012 TEL: 212 219-9600

COLLECTORS

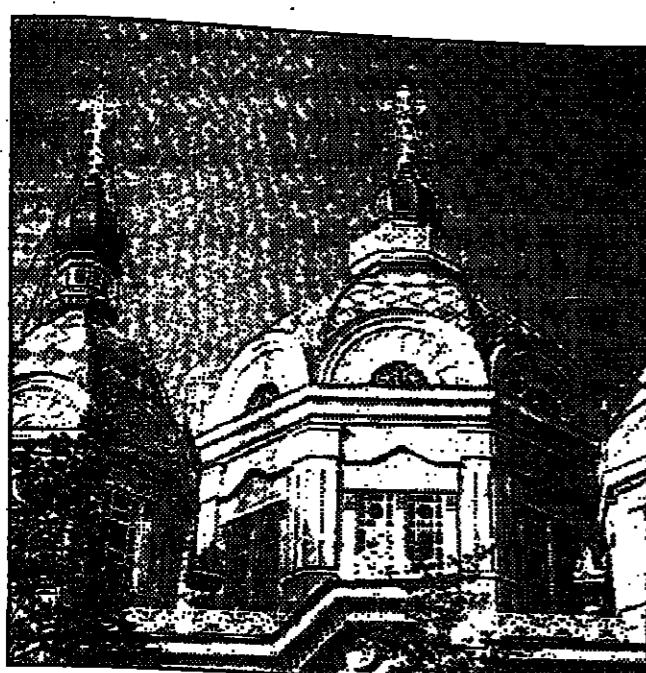
ANTIQUES

NASDAQ

Friday's 4 p.m.

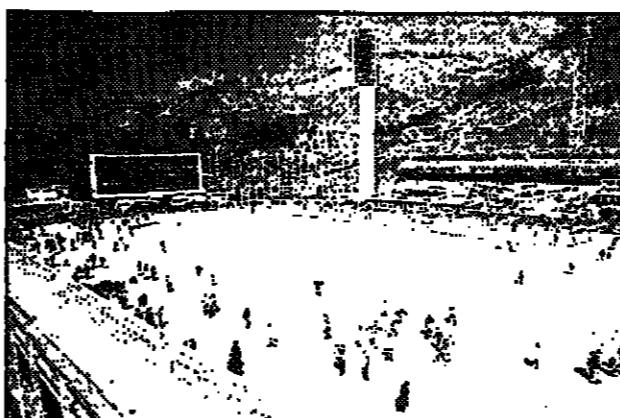
The 1,000 most-traded National Market securities in terms of dollar value, updated twice a year.
The Associated Press.

12 Month High Low Stock	Div	Yld	PE	1995	High	Low	Last	Chg
2274 ABC				12	150	145	145	-1
2275 ABC Inc				12	150	145	145	-1
2276 ABC Inc				12	150	145	145	-1
2277 ABC Inc				12	150	145	145	-1
2278 ABC Inc				12	150	145	145	-1
2279 ABC Inc				12	150	145	145	-1
2280 ABC Inc				12	150	145	145	-1
2281 ABC Inc				12	150	145	145	-1
2282 ABC Inc				12	150	145	145	-1
2283 ABC Inc				12	150	145	145	-1
2284 ABC Inc				12	150	145	145	-1
2285 ABC Inc				12	150	145	145	-1
2286 ABC Inc				12	150	145	145	-1
2287 ABC Inc				12	150	145	145	-1
2288 ABC Inc				12	150	145	145	-1
2289 ABC Inc				12	150	145	145	-1
2290 ABC Inc				12	150	145	145	-1
2291 ABC Inc				12	150	145	145	-1
2292 ABC Inc				12	150	145	145	-1
2293 ABC Inc				12	150	145	145	-1
2294 ABC Inc				12	150	145	145	-1
2295 ABC Inc				12	150	145	145	-1
2296 ABC Inc				12	150	145	145	-1
2297 ABC Inc				12	150	145	145	-1
2298 ABC Inc				12	150	145	145	-1
2299 ABC Inc				12	150	145	145	-1
2300 ABC Inc				12	150	145	145	-1
2301 ABC Inc				12	150	145	145	-1
2302 ABC Inc				12	150	145	145	-1
2303 ABC Inc				12	150	145	145	-1
2304 ABC Inc				12	150	145	145	-1
2305 ABC Inc				12	150	145	145	-1
2306 ABC Inc				12	150	145	145	-1
2307 ABC Inc				12	150	145	145	-1
2308 ABC Inc				12	150	145	145	-1
2309 ABC Inc				12	150	145	145	-1
2310 ABC Inc				12	150	145	145	-1
2311 ABC Inc				12	150	145	145	-1
2312 ABC Inc				12	150	145	145	-1
2313 ABC Inc				12	150	145	145	-1
2314 ABC Inc				12	150	145	145	-1
2315 ABC Inc				12	150	145	145	-1
2316 ABC Inc				12	150	145	145	-1
2317 ABC Inc				12	150	145	145	-1
2318 ABC Inc				12	150	145	145	-1
2319 ABC Inc				12	150	145	145	-1
2320 ABC Inc				12	150	145	145	-1
2321 ABC Inc				12	150	145	145	-1
2322 ABC Inc				12	150	145	145	-1
2323 ABC Inc				12	150	145	145	-1
2324 ABC Inc				12	150	145	145	-1
2325 ABC Inc				12	150	145	145	-1
2326 ABC Inc				12	150	145	145	-1
2327 ABC Inc				12	150	145	145	-1
2328 ABC Inc				12	150	145	145	-1
2329 ABC Inc				12	150	145	145	-1
2330 ABC Inc				12	150	145	145	-1
2331 ABC Inc				12	150	145	145	-1
2332 ABC Inc				12	150	145	145	-1
2333 ABC Inc				12	150	145	145	-1
2334 ABC Inc				12	150	145	145	-1
2335 ABC Inc				12	150	145	145	-1
2336 ABC Inc				12	150	145	145	-1
2337 ABC Inc				12	150	145	145	-1
2338 ABC Inc				12	150	145	145	-1
2339 ABC Inc				12	150	145	145	-1
2340 ABC Inc				12	150	145	145	-1
2341 ABC Inc				12	150	145	145	-1
2342 ABC Inc				12	150	145	145	-1
2343 ABC Inc				12	150	145	145	-1
2344 ABC Inc				12	150	145	145	-1
2345 ABC Inc				12	150	145	145	-1
2346 ABC Inc				12	150	145	145	-1
2347 ABC Inc				12	150	145	145	-1
2348 ABC Inc				12	150	145	145	-1
2349 ABC Inc				12	150	145	145	-1
2350 ABC Inc				12	150	145	145	-1
2351 ABC Inc				12	150	145	145	-1
2352 ABC Inc				12	150	145	145	-1
2353 ABC Inc				12	150	145	145	-1
2354 ABC Inc				12	150	145	145	-1
2355 ABC Inc				12	150	145	145	-1
2356 ABC Inc				12	150	145	145	-1
2357 ABC Inc				12	150	145	145	-1
2358 ABC Inc				12	150	145	145	-1
2359 ABC Inc				12	150	145	145	-1
2360 ABC Inc				12	150	145	145	-1
2361 ABC Inc				12	150	145	145	-1
2362 ABC Inc				12	150	145	145	-1
2363 ABC Inc				12	150	145	145	-1
2364 ABC Inc				12	150	145	145	-1
2365 ABC Inc				12	150	145	145	-1
2366 ABC Inc				12	150	145	145	-1
2367 ABC Inc				12	150	145	145	-1
2368 ABC Inc				12	150	145	145	-1
2369 ABC Inc				12	150	145	145	-1
2370 ABC Inc				12	150	145	145	-1
2371 ABC Inc				12	150	145	145	-1
2372 ABC Inc				12	150	145	145	-1
2373 ABC Inc				12	150	145	145	-1
2374 ABC Inc				12	150	145	145	-1
2375 ABC Inc				12	150	145	145	-1
2376 ABC Inc				12	150	145	145	-1
2377 ABC Inc				12	150	145	145	-1
2378 ABC Inc				12	150	145	145	-1
2379 ABC Inc				12	150	145	145	-1
2380 ABC Inc				12	150	145	145	-1
2381 ABC Inc				12	150	145	145	-1
2382 ABC Inc				12	150	145	145	-1
2383 ABC Inc				12	150	145	145	-1
2384 ABC Inc				12	150	145	145	-1
2385 ABC Inc				12	150	145	145	-1
2386 ABC Inc				12	150	145		



The Almaty Orthodox Cathedral is one of the largest wooden religious structures in the world (above); the international fair ground and exhibition center in Almaty (right); the Medeo speed-skating rink - the largest in the world - 1,700 meters (1,860 yards) above sea level (far right).

Kazakhstan



NEW PLAYER JOINS THE INTERNATIONAL BUSINESS WORLD

Kazakhstan hopes to join the top economic ranks.

After a certain amount of euphoria in 1994, significant changes were expected to take place during 1995 in the emerging independent Republic of Kazakhstan, the largest of the CIS's Central Asian Republics (it is the size of the whole of Western Europe, with a population of 17 million). It has vast oil and gas resources, which some believe could make it the "Kuwait of Central Asia" in the next century.

Oil and gas
More than 50 oil companies have already invested billions of dollars in joint ventures exploiting the hydrocarbon resources. Five years ago, there were only about a

dozen U.S. companies active in the country; today there are around 100 - plus another 900 from other Western countries.

"Kazakhstan is an area of enormous potential, and its commitment to economic reform and an open market economy is creating favorable investment opportunities for foreign companies," says Lucio Noto, chairman and CEO of Mobil Corporation, a major investor in the republic.

There is further support from the World Bank: "Kazakhstan's long-term economic prospects are excellent, given its vast hydrocarbon and mineral resources, low external debt obliga-

tions, and well trained work force."

Seesaw pace
Because of the country's extensive resources - gold, coal, copper, chrome and other strategic industrial minerals, as well as agricultural products - investors have many opportunities. Rebuilding and extending the infrastructure - roads, rail, telecommunications and power generation - are high on the agenda.

Unfortunately, the pace of socioeconomic and political reform slowed during the

first half of 1995, but the year has ended on an upbeat note with a period of stabilization and indications of possible growth ahead. Nursultan Nazarbayev, who became the republic's first president in 1990, has mainly been governing by decree since the dissolution of the parliament last spring. He says that referendums this year supported a new democratic constitution and an extension of the presidency until the year 2000.

Afterward, Mr. Nazar-

Continued on page 13

Kazakhstan stands to benefit greatly from foreign investment. Economic indicators are positive, and opportunities for investors are plentiful. The largest stakes are in the oil and gas sector.

PRESIDENT: TOWARD A MARKET ECONOMY

President Nursultan Nazarbayev, a former prime minister and First Secretary of the Republican Communist Party, became the Republic of Kazakhstan's first president in 1990. He began his career in a metal plant; later he graduated from college as an engineer and went on to become a doctor of science.

In an interview about his four years in office, President Nazarbayev comments on the problems of socioeconomic reforms, including privatization. However, he looks forward to a period of growth and stability as foreign investment begins to flow. Inflation is being brought under control, there is a positive trade balance, gold reserves are up, foreign debt is manageable at \$2.7 billion, and major banking reforms are in place.

Kazakhstan's mid-term future depends on its oil and gas exports. President Nazarbayev is outspoken about Oman's role in the breakdown in the Caspian Sea pipeline consortium. "Any further delay to the project will cause major damage to our economy," he says.

Recalling the words of former West German Chancellor Ludwig Erhard, the founder of post-war reforms in West Germany, President Nazarbayev says that the transition of Kazakhstan to a democratic, pluralistic society with a dynamic developing market economy means that the people have to go through the purgatory of reform "not just for the sake of the reforms themselves but so that they may emerge as a new nation."

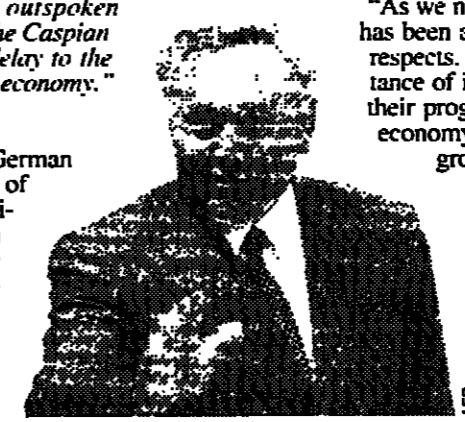
"We are still feeling the burden of

the past, both economically and psychologically. However, much has been done to lay the path for the future. We can say with confidence that all the prerequisites are there - progressive legislation, higher education, and a good skill base among the population. We have huge natural resources; we have industrial and agriculture sectors with considerable export potential.

"It is not mere chance that Kazakhstan, out of all the CIS and Eastern bloc countries, has obtained the largest share of new investments over the next 10 years. According to United Nations data, we are receiving \$47 billion out of a total of \$103 billion which is to be invested in the former communist countries. This means that these investors trust us and believe in our future. It is a trust that shall not be taken in vain.

"As we near the end of 1995, we can see that it has been a year of great change for us in many respects. Through our reforms, and the assistance of international financial institutions and their programs, we have stabilized our macro-economy. Next year we will enter a period of growth.

"We are keeping within the national budget and have now brought inflation under control. In the 12 months ending last October, inflation has fallen from 125 percent to 50 percent... we do not expect it to exceed 12 percent by 1998. During the last nine months of



President Nursultan Nazarbayev

Continued on page 13

A WORLD OF GOOD THINGS.

At GE, we're committed to building our global presence, to build for the future.

From Kazakhstan to Australia, from Mexico and Europe, GE is working harder to bring more good things to more people's lives. And, looking ahead, that'll make a world of difference. For everyone.



We bring good things to life.

Welcome
to Almaty,
twice
a week

Austrian Airlines fly you rapidly and comfortably twice a week from Vienna to Almaty, Kazakhstan, with immediate onward connections from and to 33 Western European cities. Because of their long experience, Austrian Airlines are the leading expert on Eastern Europe. Added to this is the short transfer time and the excellent geographical position of the Vienna International Airport. Thus the best way to Eastern Europe is usually through Vienna.



Welcome To
AUSTRIAN AIRLINES

Kazakstan



THE ECONOMY: ONE STEP BACK, THREE STEPS FORWARD

New legislation will strengthen the financial sector.

The general view on Kazakhstan is that the economy is stabilizing, although a large number of problems still remain. Inflation has been brought down from a crippling annual 1,156 percent in 1994 to 50 percent last October and, according to President Nursultan Nazarbayev, will drop to 27 percent next year and 17 percent in 1997. Spending cuts of up to 25 percent have been made in the national budget in an attempt to meet IMF requirements that this year's budget deficit not be more than 3.3 percent of the GDP.

Throughout the Commonwealth of Independent States, there has been a dramatic drop in GDP caused by the collapse of trade between the CIS countries. But Hartman Fischer, who heads the Kazakstan Institute of Management, Economics and Strategic Research in Almaty, says that some local economists believe there will be a 5 percent real growth in GDP during 1996 because of increased investment and an anticipated rise in exports.

"At present, and in spite of the 1994-95 drop in GDP, Kazakhstan now finds itself with a current account surplus. Up to the end of last July there was a positive trade balance, and a surplus of \$164 million was being projected for the first semester. According to state statistics, exports rose by 18.4 percent in real value during 1994," says Prof. Fischer. (Accurate, up-to-date figures are virtually impossible to obtain, and many of those that are available from the state statistical office have to be interpreted with care.)

There is some evidence that trade will continue to pick up next year as Kazakhstan forges stronger links with the other CIS countries as well as with Turkey, the Middle East na-



Bulat M. Abilov, a rising young entrepreneur, is the general director of BUTYA (top photo); a more modest form of enterprise (above).

tions and China. One government report states that during the first five months of this year, the terms of trade with countries outside the CIS totaled just over \$1 billion, giving, according to a Reuters report, a non-CIS surplus of \$132 million. This was said to be due to a 13 percent fall in imports and a 57 percent rise in exports.

Last July, a bilateral trade agreement was signed with Russia under which a number of oil and gas exchanges will be made. These involve approximately 7 million tons of oil and 4.2 billion cubic meters (5.5 billion cubic yards) of natural gas from Kazakhstan and 1.7 billion cubic meters of gas from Russia.

The London-based Economist Intelligence Unit says such swaps are needed because the hydrocarbon industries of both countries "are still heavily interdependent." It is more practical for Kazakhstan's northern refineries to supply the much-nearer Russian market than its own smaller, distant local market.

Regulations to the rescue
New banking and corporate legislation coming into force should help prevent financial disasters of the type that have occurred recently: a near-total lack of banking supervision and imprudent banking led to a \$100 million-plus rescue operation to save Alem Bank, the country's largest bank, and the former Foreign Trade Bank.

In addition, a financial firm based in London tried to extract \$5 billion from the National Bank of Kazakhstan by the use of forged guarantees. If the fraud had succeeded, it would have bankrupted the country, whose total reserves are under \$2 billion.

Although there are still many structural reforms to be put in place, Western experts like Prof. Fischer are "cautiously optimistic" about the economic future. ■



Dozens of trade missions – this one is from Britain – go to Almaty.

SPOTLIGHT

Future Business Leaders Are Homegrown

From communism to capitalism and a democratic market economy is just a short step along the corridor in the former High Academy of the Communist Party in Almaty, which has become the Kazakstan Institute of Management, Economics and Strategic Research (KIMEP). It is not the first time that an old communist party headquarters in the CIS and Eastern bloc countries (Bulgaria, for example) has suddenly been transformed into a Western-style think-tank.

Regional advantage
The institute, which was founded four years ago by President Nursultan Nazarbayev, has about 400 students and is funded by foreign governments and corporate sponsors.

"It is widely viewed as a regional leader in education, offering study programs leading to masters of business administration, public administration, arts

or a degree in economics," says Hartmut Fischer, executive director of the institute.

MBAs and MPAs
One of the most successful courses has been the MBA program, conducted in association with the European Union's TACIS (Technical Assistance for the Commonwealth of Independent States) project. Next May, the third class of MBA students will graduate. Some of the earlier graduates have themselves become instructors alongside core European professors.

Prof. Fischer says that the MBA program is affiliated with the London and Copenhagen Business Schools and adds: "The vast majority of MBA graduates go on to work in a managerial capacity either for Western companies in Kazakhstan or for the growing number of local companies."

Next May will also mark the graduation

of students taking the first MPA program, which is aimed at broadening the skill base of future public administrators. Students begin the course with a curriculum that is part of the MBA program. This includes accounting, marketing, production and operation management, and economics. They then go onto more specifically oriented policy courses – welfare and social policy, or ethics and public policy.

"This prepares them for work either in the Kazak government, multinational organizations, or nongovernment organizations," says Prof. Fischer.

Economists of the future
The MA program in economics, which is funded by the USAID, provides students with the fundamentals of economics and business.

"Our aim is to turn out economists, policy advisors and future teachers," says Prof. Fischer.

PRIVATIZATION ACROSS MANY INDUSTRIES

The government's priority is fostering investor confidence. Foreigners can buy on the same terms as Kazaks.

"Sell, sell, sell!" is the message being heard loud and clear from the State Privatization Committee (SPC), which is just embarking on a new stage of cash auctions to dispose of thousands more state companies. This follows the introduction of recent legislation that allows foreign investors from both the CIS and other countries to take part in the cash auctions on the same terms as Kazak citizens.

"Our aim is to sell, not to make a high profit. Potential investors can buy shares in some attractive companies with full guarantees and without bureaucratic obstacles," says Uzeb Duberman, deputy chairman of the SPC. "At present, Kazakhstan is one of the most attractive countries for investment and offers great opportunities with low risk," he adds.

Already some major companies have been privatized following substantial investments by foreign companies. One of the first was the Almaty Tobacco Factory, which was sold in 1993 to Philip Morris for \$300 million. The aim is to increase production from 16 billion to 25 billion cigarettes a year. "It is one of the most successful privatizations in the whole of the former Soviet Union," comments a director of the Kazak National Bank. Other early privatizations include the Almaty and Karaganda Margarine Combines and the Shymkent Confectionery Factory.

Privatizations do not always go smoothly, as the Kazaks have learned to their detriment. A blaze of publicity last month announced that the large, troubled Karmet steel works complex had been sold to Ispat International, a British-based company. Karmet, which accounts for 10 percent of Kazakhstan's GDP, is the second-largest steel complex in the CIS. It was recently managed by two foreign groups whose contracts were severed for failure to meet their targets. Ispat International is owned by Lakshmi Mittal, an expatriate Indian businessman who has one year in which to pay 60 percent of the purchase price – described only "as the highest since independence." Production, now at 220,000 tons, also has to be increased by 30 percent.

Nigmatzhan Isingarin, first deputy prime minister, said that the sale marked a new phase in plans for a fundamental company reform. He believes that the main task of economic reform is to restructure enterprises.

Change of pace
More than 20 other major companies in the metal and chemical manufacture and processing fields are being prepared for total or partial privatization and restructuring.

Last year, 4,100 companies were privatized under the existing privatization program, compared with 8,900 companies in 1992 and 1993.

Over half were sold through auctions and commercial tenders. More than 90 percent of all the companies disposed of so far have been in retail trade, public catering and consumer services, including laundries and bath houses (4,450 state-owned trucks were also sold). In addition, 162 farms were sold, of which 137 were exchanged for housing coupons.

Although privatization got off to a flying start, there has been a slow-down, particularly for small companies, because of a lack of interest on the part of Kazak nationals.

This month's cash auctions are taking place in Almaty, Jambol and Karaganda. According to Mr. Duberman, some of the leading companies whose shares will be on offer include Dzhezkazgansvetromet, a non-ferrous metal producer;

Balkhashmed, a copper producer; and Khimprom, a chemical products concern. Between 5 percent and 10 percent of shares in these companies will be offered for sale.

Previously, shares in the former state companies were sold to Privatization Investment Funds (PIFs) for Privatization to Investment Coupons (PICs), issued by the government to all Kazak citizens. This meant that every citizen could take part in the mass privatization program. The PICs will be invested in the PIFs, and the coupons will be exchanged for company shares to be sold at special "coupon auctions," which are scheduled to be completed by January 1, 1996.

Under the new stage of auctions, which continues in conjunction with the coupon auctions, anyone can bid for the shares on offer. Mr. Duberman says that the government is trying to instill a more competitive element by allowing foreign companies to act as auctioneers on a commission basis.

"This enables numerous auctions to be held simultaneously, thus increasing the speed and efficiency of the privatization effort," says Mr. Duberman. ■

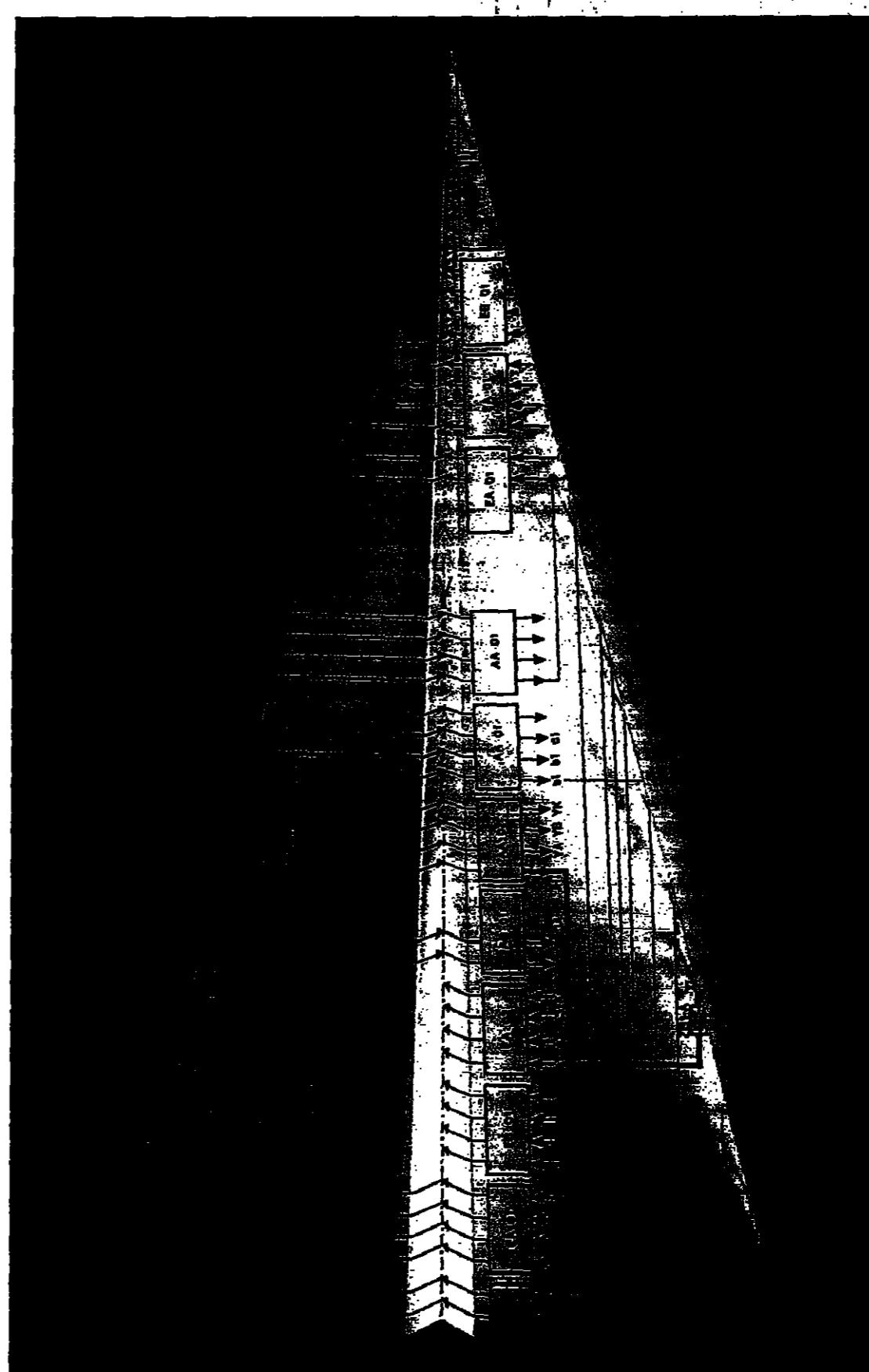
Reforms Are Slated In the Banking Sector

President Nursultan Nazarbayev has promised new banking reforms and regulations with greater supervision and controls. A foreign investment law was introduced last year, and trading began for the first time on the Central Asian Stock Exchange (CASE) in Almaty last April. Both Kazak and foreign investors can buy shares.

With the development of a capital market system, investment banking is beginning in earnest as new players enter the market, especially with the current privatization program under way. Global Kazkommerts Securities (GKS), one of the early international joint-venture investment banks to open for business in Central Asia, has recently started up in Almaty. GKS is a joint venture between Global Securities (51 percent), one of Turkey's largest brokers, and Kazkommertsbank (30 percent), one of the largest private banks in Kazakhstan. Astana-Holding, one of the region's leading trading, financial and investment groups, holds a further 10 percent of the shares. "We are offering a complete range of investment banking services to both international and domestic clients, including corporate financing and advisory services," says Peter Phelps, managing director of GKS.

ABN-AMRO Bank is also offering investment banking services, in addition to conventional trade financing. "Our activities are increasing as more and more foreign companies begin drifting into Almaty," says Theo Bark, regional director for Central Asia and Eastern Europe at the bank's headquarters in Amsterdam. Mr. Bark says that the local banks are not very strong yet. "In fact they are rather weak, and the financial system as it exists today is not being entirely trusted," says Mr. Bark.

Training bank staff is an important role for ABN, which has 50 local employees out of a total staff of 67. "We are continually running a lot of training programs both in-house and in Amsterdam. We also train staff from other local banks and from the Kazakstan National Bank," says Mr. Bark.



"KAZAKSTAN"
was produced in its entirety by the Advertising Department of the International Herald Tribune.
WRITER: Michael Frenchman, a London-based writer who specializes in the Middle East and Central Asia.
PROGRAM DIRECTOR: Bill Maher.

Kazakstan

MOVING TOWARD A MARKET ECONOMY

Continued from page 11

1994, the value of the tenge [the national currency] against the U.S. dollar decreased sixfold and so far this year it has decreased by less than 5 percent.

"This year we have reached a positive trade balance, and there has been a considerable increase in our gold reserves. Our external debt is now fully under control.

"We have managed to halt the decline in industrial production, and there seems to be a steady monthly growth in many sectors after many large state companies were offered to foreign management for varying periods, with the final option of outright control.

"And, finally, this year much of our economic legislation has been modified. Foreign companies now have the same rights as local investors to purchase land, factory buildings and capital equipment and also to repatriate profits.

"Unfortunately, under the former planned economy, our system was based solely on the production of raw materials. We used to be told when to sow wheat, when to extract ores and the government would take care of the rest."

"But . . . look what we have achieved in only a few years. We have started full-scale socioeconomic reforms, we have done away with the centrally planned distribution system, and we have liberalized the economy and opened the doors for privatization and foreign investment."

Avoiding conflict

"As for our social-political life, 1995 has been marked by a strengthening of stability and national consensus in both the state and society at large. Everyone knows just how delicate peace can be among the states of the CIS. We, a polyethnic society, have been fortunate to avoid these problems in Kazakhstan.

"We have avoided these disasters thanks to the unity and wisdom of our people – and plain common sense.

"Our people's support was shown during the referendum earlier this year, when an absolute majority voted for a new democratic constitution and an extension of the presidency until the year 2000. The simple reason behind these steps was to ensure that our policy of reforms could be carried through to a logical conclusion.

"Earlier this year we introduced a number of reforms which are now coming into operation. These affect the operation of the National (Central) Bank and our commercial banks. We have now coordinated policy-making activities between the National Bank and the Ministry of Finance.

"We are also applying standards set by western central banks in determining monetary and currency regulations, credit, international accounting standards, supervisory controls and support mechanisms for the commercial banking sector.

"Generally speaking, I think we can say that our banks are becoming more professional and more prudent when it comes to project evaluation for credit. The days of 'easy credit' with virtually no controls for state companies have now ended. Also savings instruments have been improved.

"Foreign investment is the catalyst for economic reform. About \$2 billion has so far been invested in Kazakhstan, primarily in the oil, gas and mining sectors, which are of great interest to foreign investors. There is also great potential for further foreign investments in the metal and chemical industries, as well as in energy, telecommunications and manufacturing.

"During a recent meeting in Paris of a financial consultancy group and international financial institutions, complete satisfaction was expressed at Kazakhstan's progress in introducing economic reforms. And the donor countries and organizations agreed to \$1.22 billion of new credits.

"Last June the International Bank for Reconstruction and Development agreed a \$180 million loan for structural changes to the economy and a further \$44 million for social development programs. Financial experts say that for every international \$1 loan or credit, \$3 must be generated by private sector investment. This is what is happening here.

"We are continuing to strive for a stronger investment climate, and we believe that we have created some of the most favorable conditions in the CIS for foreign investments.

"Kazakhstan's economic future depends largely on exploiting its rich hydrocarbon resources. Our oil resources are of long-range global importance and sincere interest to some of the world's largest oil companies. We are actively cooperating with Chevron in the exploitation of the gigantic Tengiz oil field. Mobil is also likely to join in the project.

"Recently we made an agreement with Agip of Italy, British Gas of Britain and Lukoil of Russia to exploit one of our richest resources, the Karachaganak gas condensate field. Work is also going ahead on the exploitation of oil in the Kazakhstan sector of the Caspian Sea.

"The companies involved include Shell, Mobil, Total, British Gas, British Petroleum and Statoil. We have now reached a new stage in the pipeline project to the Black Sea. The pipeline runs from the Tengiz oil field to Novorossiysk through Russian territory. The construction will be carried out by Kazakhstan, Russia and a foreign company.

"The agreement for the Caspian Sea pipeline consortium was to have been undertaken by the Sultanate of Oman. Unfortunately, this agreement was not implemented by the contract date of October 1.

"This year we and Russia have been compelled to look for new partners.

"We must emphasize that the demand for transporting our oil and gas resources is going to increase substantially each year. This is why, as a matter of urgency, we must consider all possible options for the export of oil.

"Firstly, we will construct the pipeline to Novorossiysk. Any further delay to the project will cause major damage to Kazakhstan's economy. Consequently, if it is necessary, we shall reconsider any of the terms and conditions for the pipeline project.

"Secondly, we are taking a positive view about the proposed pipeline project from Azerbaijan via Georgia. Thirdly, we are proposing to Russia that there be an increase in oil transportation through existing pipelines."

Privatization is fundamental

"Privatization is the fundamental issue, especially in countries like Kazakhstan where the state sector does not have development finance for production.

"From the first steps of reform, privatization was made a top priority. It's no secret we did commit some mistakes in the early stages, mainly in determining how it should be implemented. So I cannot say I am completely happy about the progress of privatization. But, it is an irreversible policy and has now been accepted by the Kazak people.

"If you are going to introduce a successful privatization program, you must learn from others' mistakes."

Interview by Michael Frenchman



The issue of exporting oil and gas is probably the one thing standing between Kazakhstan and economic greatness.

OIL AND GAS: CHALLENGES AND POTENTIAL

Flooding, money shortages and pipeline problems must be tackled if Kazakhstan is to be "the new Kuwait."

Foreign companies will have to invest \$35 billion in joint venture operations if Kazakhstan's oil production is to reach a target of 1.4 million barrels a day by the year 2010. Gas output could reach 4 billion cubic feet a day by the same year. Total oil and gas condensate reserves are estimated at more than 16 billion barrels (2.2 billion tons).

Wood Mackenzie, a Scotland-based energy consultancy, has just compiled a comprehensive 300-page survey* of the oil and gas sectors in Kazakhstan – considered by some experts to be the Kuwait (which has 13 billion tons) of Central Asia.

David Hutchison of Wood Mackenzie takes a more cautious view and tells oil companies that Kazakhstan has to get its export routes and contracts with foreign oil companies sorted out. He warns: "Until this happens, the potential for increased oil and gas production is very limited." But he agrees that once the pipeline problems are overcome and following further exploitation of existing resources, as well as potential new discoveries made onshore and on the Caspian Sea, "Kazakhstan's world oil class potential will not be in any doubt."

Current oil and condensate production is under 500,000 barrels a day from existing fields. More than 50 foreign companies are involved in joint ventures. Among the major players are Chevron, Total, British Gas, TPAO, Mobil, Repsol, Agip, Lukoil, Gazprom, Oryx and Canadian Occidental.

The main fields undergoing development, which could push output up to 1.4 million b/d by 2010, are the Karachaganak and Tengiz fields. The latter is by far the largest, with recoverable reserves over the next 40 years of some 6 billion barrels of oil and about 2 billion barrels of condensate from Karachaganak. Production at Tengiz began in 1991, and two years later Chevron signed a joint venture with

Tengizmunaigaz to fully exploit the field and its satellite, Korolev.

There have been some contractual problems with production in the Karachaganak field, which is in the North Caspian Basin close to the Russian frontier. A preliminary agreement with British Gas and Agip was signed earlier this year. It is hoped they will be able to boost production, which has been declining.

The hurdles

Another practical difficulty, besides a shortage of money for Kazakhstan's national oil and gas companies to continue exploitation, is, ironically, flooding.

While the Aral Sea has been rapidly drying up, the Caspian Sea has been rising at an alarming rate – more than 2 meters (2.19 yards) since 1978 – causing extensive flooding of oil wells. In some places, the sea has advanced by 70 kilometers (43.5 miles). Mr. Hutchison says more than 100 wells in the Tengiz field have been flooded, and an estimated minimum of 1,000 wells on the north-east coastline are at risk.

But the most serious problems are the lack of clarity and stability of licensing and taxation procedures, and the unavailability of export pipelines. Last summer, a new petroleum act came into force that should ease negotiations for foreign companies and their joint venture partners.

A number of oil companies consider Kazakhstan to be one option for the future rather than a firm commitment for today. They have been disappointed by the government's delays in establishing a stable fiscal regime and by the time that it takes to negotiate contracts.

The main practical challenge is how to export the gas and oil. Kazakhstan presently operates six main oil pipelines and eight gas trunk lines totaling more than 6,000 kilometers. Unfortunately, the whole system was part of the CIS network designed for inter-

nal transportation rather than for export. Consequently, all crude oil and gas exports have to pass through Russia – an irksome situation for international oil majors and for Kazakhstan. "It is inadmissible that there should be such control over revenue," said Konstantin Zhigalov, head of the president's international department.

Mr. Hutchison comments: "Without a reliable oil export pipeline, Kazakhstan will continue to be dependent on Russia, and it will not be possible to secure the hard currency income required to achieve the economic growth potential of the country."

Permanent interdependence

Until recently, negotiations between Russia and Kazakhstan over export lines have resulted in a more or less stand-off position. It seems from President Nursultan Nazarbayev's remarks, however, that an accommodation is being reached with Russia over pipeline routes to the Caspian and Black Seas. Several observers now agree that the permanent interdependence between the Kazakhstan and Russian economies is being recognized, particularly concerning the development of hydrocarbon resources. Mr. Nazarbayev has said he will reconsider any proposals with Russia for export pipelines, which he feels are a matter of great urgency. The situation has become especially critical in view of the failure to reach agreement on the Caspian Sea pipeline consortium by the target date of last October 1. This leaves the whole issue of oil players, pipeline constructors and export routes wide open. Although the massive oil and gas potential is unquestionable, it is the terms offered to the foreign oil companies that will dictate the speed of development.

*Kazakhstan Report, Wood Mackenzie Consultants Ltd., 74-7 Queen St., Edinburgh EH2 4NS, United Kingdom, fax 44 131 243 4435.

A NEW INTERNATIONAL BUSINESS PLAYER

Continued from page 11

Nazarbayev declared parliamentary elections for earlier this month – a decision supported by the international financial community and the European Union, as well as by many Kazak citizens. However, not enough votes were cast to elect a new lower house of parliament. Another election will take place at a date that has not yet been determined.

Nevertheless, the president can, with some justification, claim to have put some reforms and structural changes on the move again.

There have also been some economic plus points – inflation down to double figures, a trade surplus, increased gold reserves and a moderate foreign debt.

President Nazarbayev has introduced new legislation to cover the supervision and operation of both the central bank and the local commercial banks. A new petroleum law affecting new investments has been enacted, a

much more liberal investment climate is being created, and land and property ownership is being reviewed.

The mass privatization

program is entering a new phase of sell-offs, but there is currently little or no post-privatization managerial and financial support. This has led to a number of closures and bankruptcies.

Mr. Nazarbayev acknowledges that some mistakes have been made in the program. Last year, 4,100 companies were privatized, and by last August about 5,000 small businesses had been sold. Further auction sell-offs are currently taking place.

During the last five years,

Kazakhstan's economic situation

along with that of other CIS countries, has rapidly deteriorated because of a breakdown in the countries' mutual interdependence in trade and commerce. According to the International Monetary Fund's latest report, however, Kazakhstan's

economy has reached a crucial turning point for the better. Next year, GDP is expected to grow by up to one percent – whereas it fell 13.3 percent during the first nine months of 1995.

The latest World Bank report

confirms the view that the "long and deep recession

is beginning to abate as the

government accelerates refor-

mation . . . while a turnaround

to positive GDP growth is

still in the future, the recess-

ion is showing signs of bot-

toning out."

Kazakhstan has been re-

ceiving substantial foreign

investment – about \$47 bil-

lion since independence.

International aid agencies such as the World Bank and the European Bank for Recon-

struction and Development

were initially supportive but

have taken a more cautious

approach in 1995.

The confidence of interna-

tional aid agencies is return-

ing as the economy picks

up. Bankers' main concerns

are about the pace of struc-

tural reform and the govern-

ment's sometimes ambiva-

lent attitude toward Western

and more democratic prac-

tices in signing contracts.

Seeking competitive tenders

for projects and making ma-

jor privatization offers.

This has caused some bot-

tlenecks in the expansion of

the economy, but positive

action is being planned un-

der a program of reforms for

1996-98.

Late last month, Prime

Minister Akezhan Kazhe-

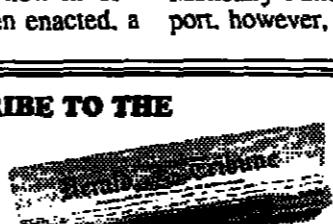
geldin told the government,

which had approved next

year's draft budget, that the

the economy.

SUBSCRIBE TO THE



For more information or easy ordering
please contact today

Polygon International in Almaty

Tel. 7-3272-64 18 50 - Fax 7-3272-64 55 01

THE WORLD'S DAILY NEWSPAPER

Yes, you can. swiftly and surely to technological challenges which stretch the limits of the possible. Like promoting a local economy to the head of world class technology.

ABB

ABB Asea Brown Boveri Ltd., Reader Services Center, P.O. Box 822, CH-8021 Zurich

Kazakhstan

THE CONSUMER ERA HAS ARRIVED

Many come to buy; more still come just to look.

The Zangar Trade House, a department store on Abylai Khan Avenue, Almaty, has changed management after 40 years. It is one of the first state companies to begin the journey down the privatization road. The store's 10,000 square meters (11,960 square yards) of shop floor space is now crammed with imported goods - from Wella beauty-care products to the latest Sony CD and cassette players. There are leather jackets from the Netherlands and wool sweaters from Guatemala, kitchenware from Italy and enamel plates from China.

A taste of the consumer age has finally arrived with the display of goods in this store. Trade experts say that what is unique is that some 65 percent of everything on show has been imported.

The man behind the change is exuberant Askar Abdullaevich Nugmanov.

He is president of the new joint-stock holding company in which 10 percent of the shares are held privately by the 700 employees of the company. The remainder is still in the hands of the state, but, as the move toward greater privatization continues, the state's share is likely to be reduced. "At the moment, it has not been decided how the second stage of privatization will continue," says Mr. Nugmanov, who took over as president a year ago. He has revolutionized the shop floor, which seems always to be crowded with customers, even though the goods are beyond the means of many.

Ringing cash registers

This is an emerging country where the price of an imported can of beer (\$4) may represent at least a week's wages for an office worker. But Mr. Nugmanov is not



Kazak stores come in all sizes. The BUTYA complex specializes in well-known Western luxury goods.

to be put off. His 500 sales assistants continue to ring up the cash registers (unless there is a power failure, in which case they turn to the trusty abacus). Those who cannot buy still come just to look. "Somehow we find the money and we continue to exist," says Valentina, an office manager and single mother with two children.

Make no mistake about this: sales have risen dramatically, says Mr. Nugmanov. "In the first five months of trading as a joint stock company, our turnover has risen

500 percent. Our system has changed completely and so has the attitude of the staff. Everyone is interested in seeing that we do well."

Already Mr. Nugmanov is thinking of expanding and introducing new product lines. "We have been talking with U.S. companies about importing foodstuffs, and we would like to have more sports goods and leisure wear, as well as other items like jewelry. We not only want goods from suppliers, but we would also like them to invest in the company,

particularly those with retail and wholesale know-how.

We would like to become agents and distributors for foreign manufacturers of consumer goods."

Blueprint for business

Mr. Nugmanov hopes to make better use of the available floor space and to introduce the "shop-within-a-shop" concept on a franchise basis for foreign suppliers. At present, he has about 1,500 foreign and local suppliers. Garments represent about one third of sales.

While Mr. Nugmanov may have ambitions, he is realistic enough to understand that with only a 10 percent private holding, expansion plans are not without problems.

"We are also desperately short of investment capital, and we only have one small credit line in hard currency as tente [the local currency] are not acceptable... we can offer no collateral, not even on the buildings."

The store is only one operation within the Zangar group, which has become one of the more active new-style trading companies seeking foreign agencies and distributorships across many sectors, particularly in food-stuffs. ■



The Racht Palace, which recently opened, welcomes business travelers to Almaty.

BAKER & MCKENZIE

THE INTERNATIONAL LAW FIRM

LARGEST CENTRAL EUROPEAN & CIS PRACTICE - 30 YEARS OF EXPERIENCE IN THE REGION

ALMATY

Providing a full range of services throughout the Central Asian and Transcaucasian Republics

29/30, 155 Prospect Abaya
Almaty 480009, Kazakhstan

Phone: (7-3272) 50 99 45
Fax: (7-3272) 50 95 79

e-mail: Michael_Wilson@bakermck.com

Partner: Michael Wilson

ACTIVELY INVOLVED IN:

Corporate, Commercial and Joint Ventures

Tax, Banking and Finance

Privaizations

Oil, Gas, Mining and Natural Resource Projects

Power and Infrastructure

Intellectual Property

MOSCOW

Andreev-na-125
H-1062 Budapest, Hungary
Phone: (36-1) 241 5777
Fax: (36-1) 342 0511

Partners: Peter Pálvin Magyar, Dr János Martonyi

WARSAW

ul Dluga 26/28
00-214 Warsaw, Poland
Phone: (48-21) 635 3821
Fax: (48-21) 635 3447

Partners: Jacek Grzeszczyński, Tomasz Z Ujejski, Peter Almárho

PRAGUE

Ceskoslovenske Sady, No. 4
110 10 Prague 1, Czech Republic
Phone: (42-2) 24 22 7330
Fax: (42-2) 24 22 2124

Partner: Dr. Martin Radvan

KIEV

Franki-Lo 5, Fifth Floor
Kiev 252013, Ukraine
Phone: (37-044) 244 2964
Fax: (37-044) 223 6184

Partners: John P Hawko, Boris Y Dackiw, Peter Almárho

ST. PETERSBURG

Bolsheaya Morskaya 57
190000 St. Petersburg, Russia
Phone: (7-812) 119 5308
Fax: (7-812) 119 6013

Partner: Arthur L George

TIPS ON DOING BUSINESS

Hotels, dining, and other services vary greatly – but high quality can be found.

The Central Asian Repub-

lics are very much frontier land for doing new busi-

ness, but the situation does

change for the better every

month. First-time visitors to

Almaty are likely to be

shocked from the moment

they touch down at the air-

port – no proper baggage

handling, and a fight for

transport to the hotel if no

one is there to meet them.

Accommodation in the lo-

cal hotels can be surprising-

ly good or absolutely terrible

by Western standards. The

poshest is the newly opened

Marco Polo, which is be-

yond the means of all except

the most affluent business

travelers.

Dining facilities are re-

ported to be excellent.

Slightly more modest is the

government's official visi-

tor's hotel – the Hotel

Dostyk, with a good Euro-

pean-style dining room. The

Hotel Otar is refurbishing

floors to cater to the rapidly

increasing business market,

so is the massive old Soviet-

style Hotel Kazakstan.

Talking and eating ...

Telecommunications, at pre-

sent being reappraised for an

upgrade, are poor. It can be

difficult to dial out interna-

tional, but dialing interna-

lity is not at all bad. Cellular

and satellite phones are in-

creasing in number. In fact,

there are card-operated

satellite phones for public

use in half a dozen spots in

Almaty, including the lobby

of the Hotel Otar and the

airport departure hall. These

are extremely efficient.

Eating out in Almaty is a

gamble, but there are some

recommended restaurants,

including the Italian Adriati-

co and another restaurant in

the International Business

Club, a favorite meeting

place for the international

community. The latter is run

by a Turkish entrepreneur

ERNST & YOUNG

INVESTORS TAKE LONG-TERM VIEW

Over the last three years many international companies have studied the investment opportunities available in Kazakhstan. Some, like Chevron, Philip Morris, Esso and indeed Ernst & Young, have decided to invest. Others are maintaining a watching brief and some have decided to place their capital elsewhere. The question is, who has made the right decision?

The potential benefits of the country have been well-publicised. The country is rich in oil and gas, diamonds, gold and other natural resources. This, combined with a commitment to economic reform, a popular president and stable political environment, and a well-educated population, has made Kazakhstan a major competitor for the world's private capital. So why does the Republic not appear higher in league tables of investment interest of major multinationals?

We at Ernst & Young meet many of the companies exploring the investment opportunities in Kazakhstan. Ernst & Young also advises many of the significant investors already doing business here. The principal areas of concern typically encountered are connected with an uncertain legal and fiscal environment, a high tax burden, a lack of systems, rules and legislation to facilitate an efficient market economy, and a high level of bureaucracy. To some extent this is to be expected in a country making such a significant economic transition.

However, it is not all doom and gloom. The Government is making real efforts to effect change. This is evidenced by the recent introduction of the Tax Code, a piece of legislation designed to reduce the number of taxes (formerly there were over 45 taxes that were theoretically applied to a company), make compliance easier and create stability. This has undoubtedly been a step forward and now provides a framework on which to make further improvements. The fiscal regime however still requires changes in a number of areas, such as personal taxation, VAT and withholding tax. The introduction of additional government exactions such as the Road Fund or the Fund for the Movement of the Capital to Akmola, not envisaged in the Tax code, also appears as a step in the wrong direction when fiscal stability was stated as a fundamental aim in the tax reform programme.

In summary, the recent changes to fiscal and business law have provided tangible evidence of the desire for attracting new foreign investment. However, one fact that the majority of companies in Kazakhstan agree on is that investment in the current environment is for the long-term. Those who believe they will come and make a fast buck are usually quickly disappointed. For those who stay, and endure the pain of change, the belief is that the ultimate gains will reward their patience.

Introducing Kazakhstan's First International Investment Bank

A joint venture between Global Securities Inc. - Istanbul & Kazkommertsbank - Almaty

GLOBAL KAZKOMMERTS SECURITIES INC.

A Subsidiary of Global Securities Inc.

Offering a wide range of financial services for corporate and institutional investors:

Corporate Finance Activities

Equity & Fixed Income Services

Investment Advisory

For further information please contact:

Mr. Peter Phelps

Global Kazkommerts Securities Inc.

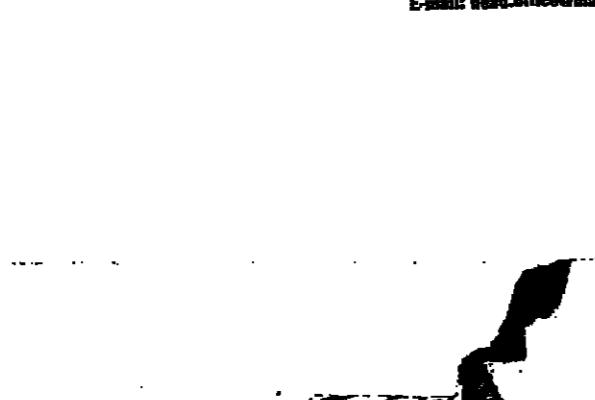
65 Formanova, 5th Floor, 480004 Almaty, Kazakhstan

Tel: +7 327 900 1766 Fax: +7 327 581 1497

At the MARCO POLO Hotels we welcome you with friendly efficient service. Here you can enjoy the best restaurants in town with a variety of international and local cuisine, and of course delicious and world famous Austrian specialties and fine pastries. Our additional services include conference

rooms, meeting facilities and a business center. Whether you are in Moscow, St. Petersburg, Tbilisi or Almaty - Kazakhstan, you will experience that special MARCO POLO touch of excellence, which has made us the leading international hotel chain in the former Soviet Union.

RESERVATIONS & INFORMATION:
At SRS, UTELL, your local travel agent, or call tollfree number for UK: Tel: 0800-960501, for USA and Canada: Tel: 1-800-735-5470, and for France: Tel: 0519-7500
Marco Polo Hotels & Resorts, A-1020 Vienna, Nordhafenstrasse 36, Tel: +43 1/213 31-200, Fax: +43 1/213 31-201
E-mail: head.office@marcopolo-hotels.telecom.at



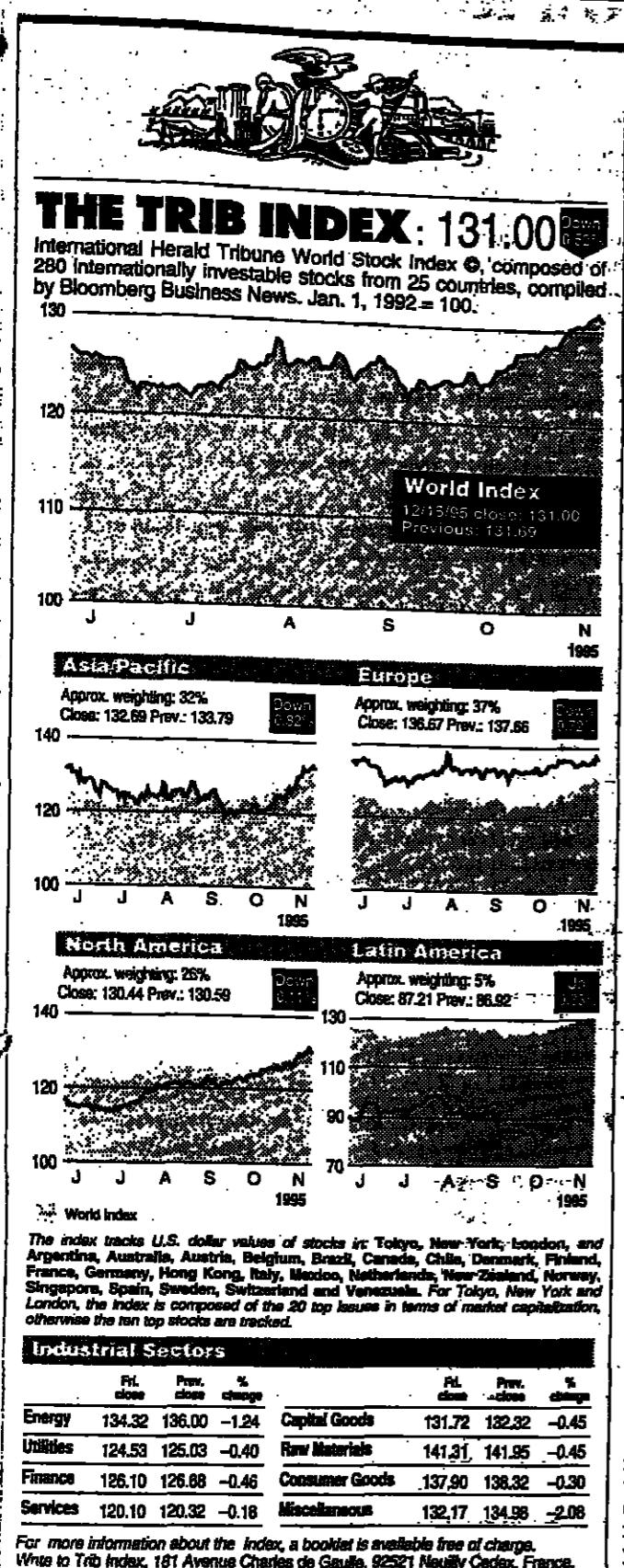
RESERVATIONS & INFORMATION

International Herald Tribune

BUSINESS / FINANCE

SATURDAY-SUNDAY, DECEMBER 16-17, 1995

PAGE 15



For Japan, Groping' Toward a Recovery

Compiled by Our Staff From Dispatches

TOKYO — Japan's economy has been spinning its wheels in the mud for the past several months, but although it is still stuck, there are some encouraging signs, a government report said Friday.

"The economy has begun to move in the direction of recovery," a senior official at the Economic Planning Agency said.

An upturn in housing construction and gradual recoveries in private consumption and capital investment were signs of improvement, according to the agency's monthly report, which represents Japan's official assessment of the economy over the past month.

In particular, capital investment got a boost when October private machinery orders showed a seasonally adjusted 1.48-percent jump from the previous month, the largest month-to-month rise since April.

The EPA also said that Asia's currency authorities appear to have shifted their focus away from the U.S. dollar toward the yen to counter inflationary pressures and to protect foreign debt holdings.

"We strongly believe that there will be quite a strong recovery in '96 in Japan," said Christophe Auvard, a fund manager at Gamma Asset Management in Tokyo who manages \$8 billion yen (\$78.6 million) in Japanese equities.

Separately, Toyota Motor Corp. said Friday it expected domestic sales in 1996 to rise 6 percent, to 2.18 million vehicles.

Domestic output is expected to rise 6 percent to 3.35 million vehicles, Toyota said, adding that exports would be unchanged from 1.2 million vehicles this year. Overseas output will rise 9 percent, to 1.37 million vehicles.

The move also followed by a day the Bundesbank's lopping of half a percentage point

Introducing the, uh, Euro Currency Gets a Name Nobody Loves

By Erik Ipsen

International Herald Tribune

LONDON — Many organizations, products and individuals have prospered under seemingly uninspired or even downright rotten names. Now, with the decision Friday to name it the Euro, Europe's new single currency, too, will have that opportunity.

"There is no passion in it," complained Malcolm Parkinson, head of the corporate communications consultant Segal & Gale. "It sounds dull and civil-servant-like."

To many ears, Euro does not have the ring of a measure of wealth. "It just does not sound like money," said David Warden, chairman and chief executive of the advertising agency McCann-Erickson in London. "It sounds like people, like what we were all supposed to be."

Others were more sanguine. But others had reason to be. "I think it is a great idea," said Abid Hassan, the manager of Eurodream Limited, London manufacturers of women's underwear. "It will be good for us."

But elsewhere, the naming of the new currency may create nothing short of mass confusion. Britain's hearty band of Euro-skeptics, for instance, must now strive to make it clear just what they object to — the entire notion of a greater Europe, or merely its currency. Similarly, Eurocrats might come to be the term for

those laboring in the halls of Europe's new central bank, rather than just a means to describe European civil servants more broadly.

And what are people to think of the Euro? Heaven forbid that anyone should think of it as being a mere bottomless pit for investors' funds.

Some marketing specialists insist that con-

fusion and a dull name notwithstanding, the Euro can surround its unfortunate and humdrum moniker.

"The Beatles" was a lousy name for a rock

"group," said Adrian Holmes, chairman of the Lowe Howard-Spink advertising agency.

"But as soon as they came out with some good

songs, it all worked out rather well."

As Mr. Holmes sees it, Europeans will come

to love, cherish and respect their Euros if the

concept can be made to work. If the single

currency lives up to the hopes and dreams of its

authors and makes life easier and less frustrat-

ing than the present system of 15 national

currencies, then the Euro will ultimately have

the success of the Beatles.

That task would be made immeasurably

easier, say marketing specialists, if the EU's

leaders could design a currency that looked

— well, important.

"It needs to look grown up, like it has been

around for centuries," Mr. Warden said.

Having now seen what a committee of 15

came up with in the way of a name for its new

money, some are fearful as to what esthetic

compromises lie ahead in the Euro's design.

"I suppose they will come up with a duck-

billed platypus," Mr. Parkinson said.

U.S. Lets Sprint Enter Pact With 2 Europe Firms

By Lawrence Malkin

International Herald Tribune

ments, which are beyond its reach, but against Sprint for taking unfair competitive advantage. This could include revoking its line to Europe.

Other conditions included tighter regulation of Sprint as the dominant U.S. carrier serving France and Germany by limiting its trans-Atlantic lines until the two European companies open their lines to competitors. France Telecom also will be required to lower its international charges, which are on average 28 percent higher than German rates.

"This is intelligent market opening at work," said Scott Harris, the chief of the FCC's international bureau. A German official said that the FCC chairman, Reed Hundt, had "asked that we live up to our word" to open the country to competition. Sprint said this cleared "the last regulatory hurdle" for the network to start handling business telecommunications early next year and then extend it to domestic services when national markets are opened in 1998 to competition by a directive of the European Union.

Scott Harris, chief of the FCC's international bureau, said that, since the French and German telephone companies were still monopolies, the FCC's decision represents an intervention "to continue and speed up the open of French and German telecommunications markets. This is intelligent market opening at work."

The FCC could have threatened to force France and Germany to unwind their investments if they did not deregulate, but he said the agency preferred to keep the investment hostage to the process by making it in effect inoperable if they do not fulfill their promises.

"If you have \$4 billion in a company, you worry every time it rains on their headquarters," he said.

France Lowers a Key Rate

Compiled by Our Staff From Dispatches

PARIS — The Bank of France lowered its floor interest rate a quarter of a percentage point Friday amid optimism about the government's chances to cut the country's deficit.

The central bank set its intervention rate, the cheapest rate of borrowing in the money markets, at 4.45 percent starting Monday, a quarter point below the rate set eight days ago. It was the third cut in the intervention rate in four weeks.

The rate cut came as a three-week-old strike by public workers opposed to government plans for the social security system appeared to be ending, giving analysts hope that Prime Minister Alain Juppé's economic plan might succeed.

The move also followed by a day the Ban-

desbank's lopping of half a percentage point

from its discount and Lombard rates.

"We don't think that this quick move is just a by-product of the Bundesbank's unexpected decision," said Eric Chaney, a senior economist at Morgan Stanley. "Had the Bank of France not been confident about the durability of the social security reform, it would have waited longer."

The franc was relatively stable despite the rate cut. The Deutsche mark finished in Paris at 3.4477 francs on Friday, up from 3.4434 on Thursday.

The interest rate cut comes as French economic growth is slowing, business confidence is at a 21-month low, consumer spending is weak, industrial and manufacturing output is falling and unemployment has risen for the past three months. The strike has also been a blow to the economy.

(Bloomberg, Reuters)

ECONOMIC SCENE

Consumers Don't Buy Cheerful Forecast

By Lawrence Malkin

International Herald Tribune

Holiday Sales Slow, Retailers Feel Pinch

The Associated Press

NEW YORK — For practitioners of a dismal science, economists are almost uniformly cheerful about the U.S. economy's prospects for 1996. That is probably a paradoxical indicator of how uncertain the outlook really is.

The consensus forecast puts the nation in an economic sweet spot unmatched for 30 years. After completing a "soft landing" this year, growth and inflation are supposed to continue moving along in 1996 at the moderate speed imposed by the limits of the economy.

But then the clouds appear in the form of U.S. consumers: They account for two-thirds of economic activity, and no one knows whether they will keep on spending. This huge imponderable will determine not only the shape of the economy but the course of the financial markets in 1996 after a solid year of gains.

The average of forecasts from the 50 mainstream economists polled by Blue Chip Economic Indicators, a widely followed newsletter, is for 2.6 percent real growth in the gross domestic product in 1996, down from the estimate of 3.3 percent for 1995. Inflation as measured by the GDP deflator is forecast at 2.2 percent, only a half a percentage point higher than the estimate this year.

The economists also see unemployment hovering around 5.7 percent and virtually no wage inflation.

Moreover, two-thirds of next year's

growth forecasts cluster within a half-point spread between 2.3 and 2.8 percent, compared to only about half within the same narrow spread a year ago, and there is also a widespread consensus about the causes of steady growth.

Nothing like this has happened since 1965, when Lyndon Johnson was president and boasted that the United States was adding the equivalent of the output of Belgium to its economy every year. Then came the Vietnam War and blew it all away. Could that happen again?

Very unlikely, said George Perry, an economist at the Brookings Institution in Washington, who was working inside the White House at that time. Now Congress at least is trying to cut the federal deficit, and "Bosnia is not Vietnam," he said.

But there are other differences in the structure of the U.S. economy, and they go directly to the heart of the fears about the forecast. Most important, said Mr. Perry, is that "labor now is in a buyers' market, the poor are worse off, and it could take five years to redress the balance."

In 1965 there was a strong labor movement with government backing. Now even Thomas Sweeney, the militant new

See SPEND, Page 18

Italy Regulators Suspend Ferruzzi Issue

Compiled by Our Staff From Dispatches

MILAN — Ferruzzi Finanziaria SpA's share issue of 953 billion lire (\$603.8 million) was suspended Friday from trading by the Italian stock market regulator Consob, dealing a setback to the company as well as to its adviser Mediobanca SpA.

Consob suspended trading in the shares and its rights, citing disclosure problems and the prospectus for the capital increase. The shares fell 1 lira, to 1,049, before they were suspended in early trading.

Regulators are asking Mediobanca to say whether the Milan investment bank intends to buy a 10 percent stake in Ferruzzi's old or new shares as part of its compliance with a previous ruling by the market authority.

"The net effect is that the company's share issue has been stopped in its tracks,

for reasons that the market is only dimly aware of," said Umberto Barbieri, a trader at Pasfin Securities.

"The whole thing leaves me rather perplexed," said Luca Comi, an analyst at InterEuropa SIM.

The announcement came as Istituto Bancario San Paolo di Torino SpA of Turin and a group of allied banks have attempted to derail Mediobanca's plans to increase its control of Ferruzzi.

Mediobanca bought 10.7 percent of Ferruzzi in late October to "safeguard" the group's future, but Consob applied Italian stock market rules and said the merchant bank must launch an offer for a similar stake at a similar price.

Under the law, Mediobanca has until Dec. 30 to launch the public offer unless the higher court suspends it. The first meeting

of the court is scheduled for Tuesday.

Mediobanca unsuccessfully appealed the ruling earlier this week in court San Paolo, which owns 14.7 percent of Ferruzzi, testified against Mediobanca in the proceedings.

Mediobanca did not provide details in the prospectus for the Ferruzzi offering, which it is managing, over whether it would buy the current shares of the company, or those being offered in the rights issue. The new shares sell for 1,000 lire each.

"It's a simple issue of disclosure," said Orazio Carabin, a Consob spokesman.

Ferruzzi is raising the money to help pay off its debt of 1.9 trillion lire. The offering was proposed by management as a last resort after a proposed merger with Gemina SpA collapsed that would have reduced Ferruzzi's debt.

Nokia Stock Drops Steeply for a 2d Day

The Associated Press

HELSINKI — Nokia shares fell sharply Friday for a second day and the company's chief executive officer tried to reassure markets that the long-term outlook for the mobile phone business is strong.

Nokia Corp., best known for its mobile phones and telecom-

munications equipment, said Thursday it expected to post a loss in the final four months of the year and said it planned to restructure its consumer electronics business, which it said would post a loss.

Nokia's stock fell 20 percent in Helsinki on Friday to 160 markka (\$36.87) after falling 7

percent Thursday. In New York, Nokia shares fell \$2.125 a share, to \$33.375, from the previous session, when the stock fell 23 percent.

In an effort to control the damage, Jorma Ollila, said Friday that the company expected sales growth of 30 to 45 percent

for telecommunications systems and mobile phones.

"The great potential continues to be there, and there is, for instance, no reason to change our estimate of 350 million cellular subscribers in the world in the year 2000," Mr. Ollila said during a telephone conference call with analysts.

British Court Forbids Sale Of Rail Units

Bloomberg Business News

LONDON — A court delivered a setback Friday to the government's plan to sell British Rail's passenger network to investors, declaring the sale of several franchises unlawful.

The Court of Appeal, overturning a lower court's ruling, said five of seven franchises would not meet minimum standards of service agreed by the government in 1993.

It ruled that a sale would have meant that service cuts would have come more quickly than Parliament stipulated in the Railway Act two years ago.

The government said it would push ahead next week with the sale of three franchises — Great Western, South West, and London, Tilbury &

ASIA/PACIFIC

Broken Hill Posts 18% Profit Drop

Steel and Energy Blamed

Compiled by Our Staff From Dispatches

MELBOURNE — Broken Hill Pty. said Friday its first-half profit tumbled 18 percent as results weakened in its steel operations, which suffered from Asian competition, and its energy sector.

The company, Australia's biggest, said it earned 876 million Australian dollars (\$649.9 million) after tax and one-time items in the six months to Nov. 30, compared with 1.07 billion dollars in the like period last year. It said revenue rose 6 percent, to 9.19 billion dollars.

Although steep, the decline in profit was less severe than some investors had feared. The company's shares closed at 19.09 dollars, down 11 cents.

John Prescott, chief executive of Broken Hill, said Asian steel producers were a source of increased competition. "The level of competition in world markets including Asian markets has intensified," he said, adding that lower demand for steel in Japan had resulted in more Japanese steel on world markets.

The steel division earned 292 dollars in the first half, a drop of 15 percent from the like period last year. Domestic steel deliveries in the half year were down 5 percent, the company said. Shipments to overseas cus-

tomers also dropped 5 percent. "It will be much more difficult in the second half to achieve the profits that we would like to in steel," Mr. Prescott said. He added, however, that the company had no intention of cutting steel production.

Profits from Broken Hill's energy business fell 24 percent, to 198 million dollars. The company attributed the slump to disappointing results from its Dai Hung oil field in Vietnam, lower income from its Hawaii oil business and reduced sales in Australia.

Lower production and a strike in the Bass Strait oil field, along with a shutdown of the Griffin field in northern Australia for maintenance, also affected profit, the company said.

The minerals division posted a record operating profit of \$40 million, up 11.1 percent from last year, on higher prices for copper, iron ore and coal. This month Broken Hill agreed to buy Magna Copper Co., which will make it the world's second largest copper producer.

Also on Friday, an Australian court upheld Broken Hill's appeal of a lower court ruling on *contempt* charges stemming from mining operations in Papua New Guinea.

(Bloomberg, Reuters)

Vietnam Joins ASEAN Plan to Expand Trade

Agency France-Presse

TOKYO — Sumitomo Bank Ltd. of Japan confirmed Friday it had applied to U.S. and Japanese regulatory authorities for approval to take over Daiwa Bank's U.S. operations.

Daiwa is under orders to end its U.S. operations by early February.

A spokesman for the Federal Reserve Bank of San Francisco said earlier this week that Sumitomo had recently applied to buy Daiwa Bank's U.S. businesses.

"We are negotiating with Daiwa Bank to purchase the assets of its New York and Los Angeles branches," Sumitomo said in a statement.

Vietnam, which joined ASEAN in July and has a highly controlled but weak economy, has been given until 2006 to lower tariffs to between zero and 5 percent, three years later than the deadline given to the other members to expand trade.

Its ASEAN counterparts agreed at the end of a two-day summit to accelerate the creation of the plan before the target date of 2003.

The other six members include Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Sumitomo Confirms Bid for Daiwa in U.S.

The Associated Press

TOKYO — Sumitomo Bank Ltd. of Japan confirmed Friday it had applied to U.S. and Japanese regulatory authorities for approval to take over Daiwa Bank's U.S. operations.

Daiwa is under orders to end its U.S. operations by early February.

A spokesman for the Federal Reserve Bank of San Francisco said earlier this week that Sumitomo had recently applied to buy Daiwa Bank's U.S. businesses.

"We are negotiating with Daiwa Bank to purchase the assets of its New York and Los Angeles branches," Sumitomo said in a statement.

In November, U.S. authorities gave Daiwa 90 days to shut down its U.S. operations, which account for 15 percent of the international loans and securities Daiwa holds. The deadline is Feb. 2.

A 24-count federal indictment against Daiwa accuses bank management of directing and taking part in a cover-up of a \$1.1 billion bond-trading loss.

Daiwa has denied the charges and blames a former trader, Toshihiko Iguchi, for the cover-up. Mr. Iguchi pleaded guilty last month to fraud and embezzlement.

In late November, a retired Daiwa Bank employee filed a lawsuit in Tokyo against 38 current and former Daiwa executives,

including the bank's president, Takashi Kihio, accusing them of negligence in the \$1.1 billion scandal.

Sumitomo, the world's third-largest commercial bank with \$531.8 billion in assets, has six branches in major U.S. cities, including New York, San Francisco, Chicago, Houston, Atlanta and Los Angeles, the spokesman said. Daiwa has 15 U.S. branches.

Sumitomo said it had applied to U.S. authorities for permission to set up 14 new branches in Los Angeles, San Francisco, Miami, Tampa, Atlanta, Baltimore, Boston, Minneapolis, St. Louis, New York, Philadelphia, Pittsburgh, Dallas and Houston.

Takeover Talk Moves National Foods

Reuters

SYDNEY — Shares in the large Australian food group National Foods Ltd. fell sharply Friday after two days of market speculation about a possible takeover, brokers said.

Analysts had expected the Foreign Investment Review Board, Australia's official foreign investment regulator, to comment on an expected application by Mingy Corp. of Hong Kong to increase its stake in National Foods to 19.9 percent from 14.9 percent. But a board spokesman said there would be no statement Friday.

Shares in National Foods, which makes and distributes dairy and household products, fell 13 cents to 1.55 Australian dollars (\$2.09). The day

before, share had risen 21 cents.

Turnover in the stock was heavy Wednesday, when more than 8 million shares traded.

According to documents filed Friday with the Australian Stock Exchange, Camerlin Pte. of Singapore, was the buyer of 4.15 million of those shares. The purchase increased Camerlin's stake in National Foods to 6.59 percent.

Adrian Richardson, an analyst at First Pacific Stockbroking, said that Camerlin, which he described as a "bid vehicle" put together by a Malaysian-Singaporean-Indonesia syndicate,

was trying to build its food interests in the Pacific Rim.

CURRENCY AND CAPITAL MARKET SERVICES

TRADE NASDAQ STOCKS FOR \$35 COMMISSION.

JB OXFORD & CO. established 1983 is a leading discount broker handling in excess of 10,000 trades per day. Through our Representative Offices in Switzerland Investors can now buy or sell NASDAQ stocks for \$35 commission. Call for further details.

TELEPHONE (41) 61 279 8870

IFEXCO S.A. FOREX BROKERS THE RELIABLE PARTNER

GENERAL: +41 22/849 74 11
24/4 DEALERS: +41 22/849 74 45
FAX: +41 22/700 19 13

SEE NBC Superchannel Text Pages: 355 and 356
THE BEST SERVICE 24 HOURS A DAY

International Foreign Exchange Corporation S.A.
86 Bis Route de Frontenex
1208 GENEVA - Switzerland

MANAGED FUTURES INTERNATIONAL An Industry Publication For Serious Investors

For Your FREE COPY Call Or Fax:

Rosenthal Collins Fox Asset Management Group
Specialists in Managed Accounts and Pools
Trading Manager Expertise
Member of All Principal US Futures Exchanges

Tel (US) 001-1312-341-7819
Fax (US) 001-1312-341-7599

A Division of Rosenthal Collins Group, L.P. - Chicago, Illinois

For further details
on how to place your listing contact:
WILL NICHOLSON in London
Tel: (+44) 171 836 48 02
Fax: (+44) 171 240 2254
Herald Tribune

FOREX CAPITAL MANAGEMENT

"THE GLOBAL CURRENCY EXPERTS"

OFFERING THE FINEST IN CURRENCY ORDER EXECUTION, RESEARCH AND MANAGEMENT.

TO RECEIVE OUR COMPLIMENTARY SERVICES GUIDE AND LATEST RESEARCH REPORTS

CALL TOLL-FREE TODAY.

Switzerland 1857/33 U.K. 01306/66532 Germany 01306/666666

France 069/622244 Ireland 096/61152/1381315

Denmark 069/61235 Sweden 02/679/5155 S. Africa 0800/963/37

Japan 063/12/6669 Singapore 060/12/2525 Hong Kong 09/7229

Australia 1800/12/5944 N. Zealand 0800/441988 Cyprus 0800/98663

Israel 0771/56783 Mexico 958/00/8734178 Colombia 300/12/577/97

U.S.A. Tel-Voice Line +1/41-374-9823 U.S.A. Tel-Fax Line +1/41-374-9825

AROUND THE WORLD — AROUND THE CLOCK

FOREX CAPITAL MANAGEMENT

EXCELLENCE IN CONFIDENTIAL TRADING SERVICES

ACCOUNT MINIMUM IS \$5000 TO \$2,000,000 (U.S.D.)

HS

HERALD SECURITIES AG
Your Futures & Options Trading Partner

A comprehensive service to IBs and Private Clients; major market coverage, competitive commissions, market news, information and charting. Extensive back office facilities.

Chamerstrasse 14, P.O. Box 4818, CH-6304 Zug, Switzerland

Tel: +41 42-22 36 78 Fax: +41 42-22 27 00

SURGE TRADING S.A.

FOREX & FUTURES BROKERS

NET WORTH CHF3.000.000

24 HOUR DESK

21-23 Rue du Clos, CH-1211 GENEVA 6

Tel.: (41) 22-700 2051 Fax: (41) 22-700 2061

SEE US ON CNN-TEXT PAGE 695

surge trading

TI Declines Majority in Chip Firm

Bloomberg Business News

TOKYO — Texas Instruments Inc. said Friday it would

not fully exercise an option to acquire a majority stake in a semiconductor chip joint venture with Acer Inc., easing worries among Acer shareholders about a possible loss of income from the company's biggest profit source.

The two sides have reached an understanding that Texas Instruments, which owns 26 percent of the joint venture, will not raise its ownership to more than 40 percent, Acer said.

"The result is relatively good for Acer Inc. because they won't have to give up so many shares in Texas Instruments-Acer," whose profit outlook is good, said Jimmy Chu, manager of the Fortune Growth Fund.

Texas Instruments had an option to buy up to 51 percent of the venture by Jan. 15. Brian Yu, a public relations manager with Texas Instruments in Taipei, declined to explain why the company did not take the full amount allowed in the option.

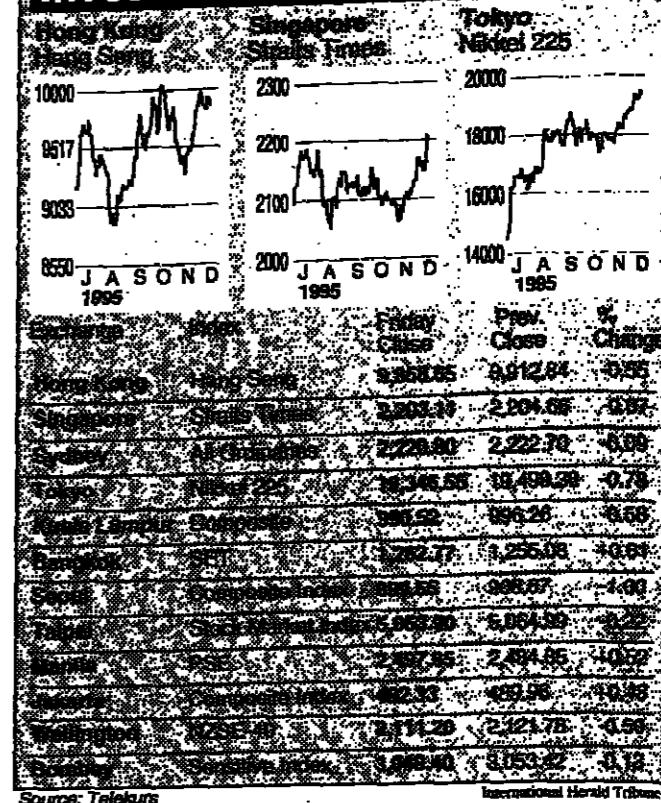
Bob England, senior vice-president of memory products for Texas Instruments, said the two companies expected a final agreement by the end of February, although "many details still need to be worked out."

"We're happy that they won't take more than 40 percent because TI-Acer is very profitable," Philip Peng, vice president of Acer, said. Acer Inc. owns about 54 percent of Texas Instruments-Acer, China Development Corp., a Taiwan government-linked investment company, holds 16 percent.

Profit from Texas Instruments-Acer could account for more than half of Acer Inc.'s expected 1995 earnings of 5.5 billion Taiwan dollars (\$201.39 million), said Michael Hung, of Nikko Securities.

The joint venture could post a profit of 6 billion dollars this year and could make 11 billion dollars next year once new production comes onstream, Seth Peng, a analyst at Barclays de Zoete Wedd in Taipei, said.

Investor's Asia



Source: Telkoms

Copyright © 1995 Bloomberg L.P. All rights reserved.

Very briefly:

India's Maharashtra state will decide by Sunday whether to revive Enron Corp.'s power project, said Bal Thackeray, the leader of one of the parties in the government, according to The Observer of Business and Politics. The government in August canceled the \$2.8 billion project, planned as the largest foreign investment in India, saying it was too expensive.

Cathay Pacific Airways Ltd., Hong Kong's leading carrier, said it withdrew from a proposed 1.2 billion-yuan (\$144.3 million) airport management venture in China because it could not get an adequate return on its investment.

Johnson Controls Inc. of Milwaukee and Shanghai Electric Apparatus Co. formed a \$25 million joint venture to make automotive and specialty batteries in China.

Taiwan's foreign exchange reserves rose to \$91.5 billion in October, up \$90 million from September, the central bank said.

Phoenix Co., China's biggest bicycle maker, said it hoped to sign a pact with an Indian motorcycle maker this month to produce motorcycles in China, but Zhang Guozhang, a Phoenix spokesman, declined to name the Indian company.

China's Ministry of Railways said it would issue 1.53 billion yuan of three-year bonds starting next week, a ministry official said. The interest rate and the date of issue have yet to be approved by the central bank.

Hsinchu Science-Based Industrial Park's 180 companies are expected to reap revenues of 280 billion Taiwan dollars (\$10.25 billion) in 1995, up 60 percent from 1994. More than half of the Taiwan park's revenue is expected to come from semiconductor sales.

Hong Kong's unemployment rate was unchanged at 3.6 percent for the three months ending November. The rate has climbed this year after hovering near 2 percent for almost a decade.

AP, APX, Bloomberg, Knight-Ridder, Reuters

India Ordered to Delay Telecom Privatization

Reuters

NEW DELHI — India's Supreme Court on Friday ordered the government to refrain temporarily from awarding any licenses to private companies to operate basic telephone services.

The two-judge panel, which issued the order after considering nine petitions challenging the government's telephone privatization program, said it would make a final decision on Jan. 9.

The government has awarded licenses to some private companies, including Indian and foreign entities, to operate cel-

lular telephone services, but it has yet to award licenses to provide basic telephone services in 20 zones across the country.

The petitioners, including several members of Parliament, had asked the court to suspend the multibillion-dollar privatization program, alleging that government bungling had cost the country 140 billion rupees (\$4.01 billion) in lost license revenue.

MONEY

FIRST COLUMN

It Really Is The Thought That Counts

THE analogy is broad, the parallels far from perfect. But the distinctions are important and must be made: Money is not finance, and neither one is economics.

The relationship between money and finance is similar to that between brick, the raw material of a house, and the draftsman's blueprint. Underpinning both brick and blueprint is their *raison d'être*, namely the obscure and celebrated science of architecture, the equivalent of economics in this comparison.

This week we examine the giving of financial gifts — a notion that has something of a bad reputation, mainly because of the common confusion between money and finance. Giving someone money as a seasonal gift may make you momentarily popular. But when you hand over that check or the more exciting wad of green, you will rightly be assumed to have all the imagination and sensitivity of someone giving away a pile of gift-wrapped house-bricks.

A proper financial gift implies structure and thoughtfulness. There are already financial-services companies in the United States — notably mutual-fund companies — that offer products branded as financial gifts. The crucial difference from investments that you might make for yourself is, in most cases, the prohibition of early redemption.

But you can also buy off-the-shelf items that give a clue as to your cleverness and exquisitely honed financial taste. What do you get for The Man Who Has Everything? An emerging-market convertible corporate bond, that's what.

Again, you may concede the point that a financial gift, as opposed to a gift of just money, is capable of demonstrating thoughtfulness and taste. But it may just be that you find that kind of giving out of kilter with the season. No doubt about it — it's high time Mammon hired himself some good public-relations help.

M.B.

By Martin Baker

SMALL people, small companies, great expectations. The idea has a certain symmetrical charm to it: You buy a stake in a small company for a young relative (or perhaps for your own pension fund) and sit back for the next twenty years or so to watch both done and stock price grow into ripe maturity.

That, at least, is the theory — one which skeptics will say has merely sentimental, rather than financial, value.

Yes, the counter-argument runs, there may be evidence that small companies make better-than-average investments over the longer term. But the riskiness of investing in small companies makes them too hard to handle for most small investors.

Research conducted by the investment team of the Yale University endowment fund provides a good illustration of the strength of both sides of the investment argument: The Yale endowment-fund managers revealed to International Fund Investment, a fund management magazine owned by the International Herald Tribune, that it had calculated the investment worth of one dollar invested in 1925 if committed to three different classes of asset.

Its conclusions were as follows:

- By 1994, 1925 dollar would have grown to \$12 if invested in U.S. Treasury bills, leaving around \$3 profit after accounting for inflation.

- Each dollar invested in mainstream shares would have risen to an impressive level of around \$800.

- But the value of an investment in small-company stocks would have risen to an astonishing price of around \$2,750.

But the advocates of investment in small companies do not have it all their own way. Some seven years after making that hypothetical investment, the value of the investor's dollar would have fallen to just a few cents. It would have been very difficult for our hypothetical investor not to have sold in order to lick some pretty severe hypothetical wounds.

From the individual investor's position, this is the real meaning of volatility: It is the tradeoff between attempting to make lots of money and the worry of losing it all.

The Acorn Fund, which tops the performance list of small-companies funds tracked by Micropal, the London-based fund research company, has seen plenty of volatile movements within its portfolio.

Terry Hogan, the fund's co-manager, cites the example of a computer-industry

company he bought in various tranches between \$2 and \$3 in 1989: "It started well, rising to \$7 in 1990 — a terrific home run for us — but then fell right back below \$4 in 1992. But we held on and even added to our position, and the stock is now trading at more than \$44."

Mr. Hogan stresses the importance of holding on to shares over time — if the company is well-managed and the market is still good.

"If we get one wrong, as inevitably we sometimes do, we will still preserve our capital value over the long term," he says. "We can also lower the overall level of risk through diversification — having a diversity of stocks in our portfolio."

Jonathan Bartlett, manager of the M&G Smaller Companies fund in London, agrees that volatility is part of the small-company investment package: "If you want to make a lot of money, you've got to take a risk."

He argues that holding on to a fundamentally sound company over time is just one of the components for successful investing: "Consistent management of income growth is vital. If you manage the yield — the relationship of the share's price to the income generated — to be at a certain level, you should end up with capital values that reflect the yield."

Mr. Bartlett sees volatility as a necessary part of investing in small companies: "The relationship between small and large companies is that of the yacht to the cruise liner. The first is much more susceptible to changes in prevailing conditions, while the latter may take much longer to adapt to a change in the economic winds."

A corollary of this theory is that the management of a small company must be of a sufficiently high quality to adjust a company's market position. For this reason, says Anne McMechan, managing director of the mutual fund division of the Framlington group in London, on-site research is essential.

"Our fund managers are their own analysts. They will visit a company to make their own appraisals of its prospects, performance and management. They will not rely on second-hand advice from brokers."

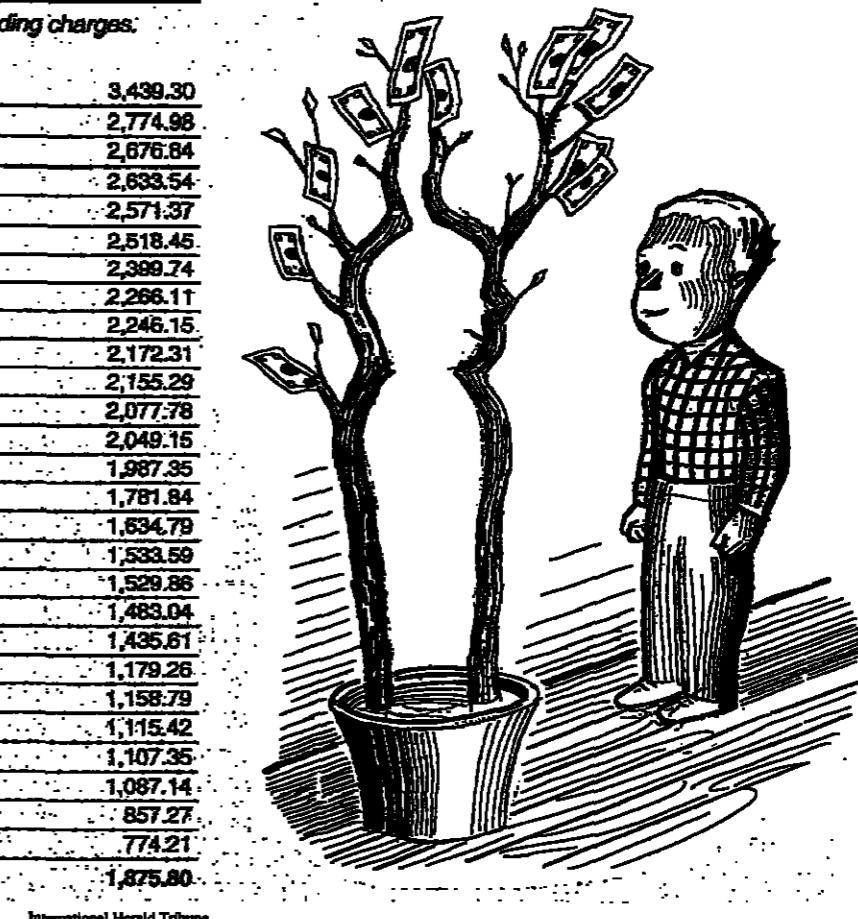
"A further benefit is that small com-

Smaller-Company Funds

Value of \$100, income reinvested excluding charges: Over 20 years to December 4, 1995.

Acorn Inv. Fund	3,439.30
Framlington Capital	2,774.98
M&G Smaller Companies	2,676.84
Hartwell Emerging Growth/A	2,633.54
Pennsylvania Mutual	2,571.37
Kemper Small-Cap Equity/A	2,518.45
T. Rowe Price OTC	2,389.74
Scudder Development	2,268.11
Discretionary Unit	2,246.15
INVESCO UK Smaller Cos.	2,172.31
Lazard UK Smaller Cos. Growth	2,155.29
SAFECO Growth	2,077.78
Five Arrows Smaller UK Cos.	2,049.15
Keystone Small Co Growth	1,987.35
T. Rowe Price New Horizons	1,781.84
Vanguard Explorer	1,634.79
S&P Smaller Companies Income	1,633.59
FPA Capital	1,529.86
Allied Dunbar Smaller Cos.	1,483.04
Lord Abbett Develop Grth	1,435.61
Allied Dunbar Second Smaller Cos.	1,179.26
Winthrop Aggressive Grth	1,158.79
EV Trading Sm Equities	1,115.42
Vanguard Index Sm Cap Stk	1,107.35
Evermore Smaller Cos.	1,087.14
Selected Special Shares	857.27
Alliance Global Small Cap/A	774.00
Sector average	1,475.80

Source: Micropal



International Herald Tribune

panies are not so intensively followed by the market, and so there is a greater possibility of undiscovered value. For those prepared to go out there and investigate the potential upside of investing is probably greater than the potential downside."

The frequently violent swing between upside and downside is also partly attributable to the nature of the market in small companies.

In the short term, because of liquidity factors, the stocks of small companies are indeed more volatile than larger companies," says Roy McKay, manager of the Scudder Development fund for Scudder, Stevens & Clark in New York. Liquidity in this context means that there are relatively few buyers and sellers of a stock, so the margin, or built-in profit element, tends to

fatten in a less competitive environment. "This works in both directions," says Mr. McKay of these stocks. "They are harder to buy and sell."

The costs of dealing, of course, tend to escalate if you are attempting to deal in small volumes. This, say fund managers, is another reason to invest in small companies through the medium of mutual funds: Funds buy big and can reduce dealing costs through economies of scale.

"Mutual funds allow investors to minimize the specific risks and liquidity risks associated with small-company investing," says Mr. McKay. "In addition, they provide professional management who spend all of their time researching the fundamentals of each company and each niche opportunity."

So from the perspective of the giver, buying an investment in small companies is attractive: It is long-term, and if you select a good fund management firm you ought to be able to allow it to do the worrying for you.

They key variable in the equation is the gigantic assumption that corporate profits will continue to outstrip inflation, as they have done for most of this century.

Small-company investing is, as one analyst puts it, "the land of a thousand niches. No one person can be aware of them all, but a fund manager can give it a good try."

The Money Report is edited by Martin Baker

Funds for the Child Who Needs Everything

By Aline Sullivan

CHOOSING the perfect gift for a child is difficult enough under the best of circumstances. Choosing one that is not meant to be opened for 20 years is even tougher.

An emerging-market fund may be just the thing for a godchild or grandchild. At best, several hundred dollars invested now could finance a sizable chunk of a college tuition bill, a year abroad or a deposit on a house. Or, if the recipient has a say, it could buy a first car.

Certainly, the beneficiary of \$500 invested 15 years ago in the Schroder Asian fund should be grateful. He or she now has \$5,511 to spend. That's half again the 70.1 percent return over the same period from the Standard & Poor's 500 Composite index of leading U.S. stocks and five times the 21.5 percent return on U.S. Treasury bills.

"When we started the fund 20 years ago, it was only investing in Hong Kong and Singapore," says Ian Kingsett, a director at Schroder Investment Management in London. "Now it is investing in ten markets and in at least twice as many companies."

Of course, the investment could be almost entirely wasted. Few people would be excited about receiving the remains of, say, a Yugoslav fund or one that had invested in Africa's more troubled markets. Unfortunately, the pitfalls are difficult to anticipate. An investment of \$100 in UBS's Safir (South Africa) fund 15 years ago is now worth less than half that amount.

Spreading the investment is the most

Emerging Market Funds

to monitor it and switch regions, then it can work out. But if the fund is a "buy and hold," then investors are better off putting it in the hands of a professional money manager.

A case could be made, however, for not stretching the investment too widely. According to data from Micropal, the London fund research group, none of the ten top-performing emerging-market funds over the past 15 years were global, while three concentrated on just one or two countries. All of the best performers focused on Southeast Asia.

Investors who believe that strong past performance is a good reason look elsewhere for future growth should think again about Southeast Asian funds. The recession in Hong Kong and several of its neighbors makes now a good time to buy, say several fund managers.

"Southeast Asia will grow faster than anywhere else over the next ten years," Mr. Kingsett says. "There is a huge population in the region and most of the economies are going to keep on growing rapidly."

Choosing a fund depends not only on the focus desired but also on the tax implications for the beneficiary. Investors who have no idea where the fund's recipient will be living when he or she comes of age could consider an offshore fund, although the management charges are likely to be higher.

Also important is the management company. "Look for an investment house that has good resources and a genuine commitment to the emerging markets," Mr. Tew says. "It should have a reasonable track record but doesn't have to be a star performer."

Source: Micropal

International Herald Tribune

likely way to avoid disappointment, advises James Tew, research director at monitoring group Fund Research in London. "Investing all the money in, say, Russia could be upsetting if that turns out to be the only country that goes nowhere," he warns. "Regional funds might be a good idea, but my instinct is to spread the investment among a number of markets."

Donna Morris, vice president of retail marketing at Fidelity Management Inc. in Boston, seconds that advice. Fidelity's \$1.5 billion Emerging Markets Fund has gained 54.79 percent since its inception in 1990.

"Look at broadly diversified funds because there is so much risk associated with country- or market-specific funds," she says. "Regional funds depend on who is managing the investment; if someone is able

Fund facts via fax.

The International Herald Tribune iFAXFUNDS service is an instant response fax service bringing you fund information 24 hours a day, 7 days a week from anywhere in the world.

How to use iFAXFUNDS

1. Check the *Menu of Services* and locate the information you need. Using the touch-tone mode on your fax machine, lift the handset and dial the *Main Access Number* as follows:
2. *In Hong Kong: 170 67 5545 Elsewhere: +852 172 75 545*
3. Follow the recorded instructions, input the appropriate *five digit code as from the list below, followed by the hash (#) key.*
4. Press the *star (*) key* to receive the document. You can request up to five documents with each single access to the system.
5. Finally, after you hear the tone, press *start* on your fax machine and replace the handset. Your information will be delivered instantly.

Some funds and their codes

MENU OF SERVICES

iFAXFUNDS MAIN MENU	82700	TITAN CAPITAL MANAGEMENT
Document code	82700	Document code
GAM GLOBAL ASSET MANAGEMENT	82500	Ueberseebank, Zurich-Switzerland
Dialling from the U.S.	82500	Document code
Dialling from the U.K. & Germany	82501	82507
From elsewhere	82502	
INVESCO	82508	
Document code	82508	
BARING INTERNATIONAL FUND MANAGERS (Ireland) Ltd	82503	
Intermediaries	82503	
REPUBLIC FUNDS	82509	
Document code	82509	
GUINNESS FLIGHT	82504	
Document code	82504	
GAJACORP CURRENCY MANAGERS	82505	
Document code	82505	
OLD MUTUAL INT'L FD MANAGERS	82510	
Document code	82510	



THE WORLD'S DAILY NEWSPAPER

Prenuptials Show the Other Side of Giving

By Barbara Wall

THROUGH the years many couples have tied the knot by speaking the words of the traditional marriage ceremony: "With all my worldly goods I thee endow."

But with divorce rates soaring, an increasing number of high-net-worth couples is trading that unconditional vow for a prenuptial agreement that clearly spells out who is giving what to whom — and for how long.

Historically, marriage contracts have tended to benefit the husband, as it was usually he who owned most of the matrimonial assets. That picture is changing. Many women now earn high incomes and own property before entering into a relationship. If this is their second marriage, they may also have a settlement from the previous marriage as part of their asset base.

Paul Hauser, a lawyer with the firm Bryan Cave in London, believes that a prenuptial agreement has several practical advantages. A well-drawn agreement can enable wealthy families to keep their estates intact. It also prevents the parties from

THE MONEY REPORT

This Year, Give Children the Gift of Thrift

By Rupert Bruce

HOOLY and Annie Hoadley of East Sussex, England, are eagerly anticipating Christmas morning. They have asked Santa Claus — or Father Christmas, as they know him — for Pocahontas dolls and accessories, and with any luck he will grant their wishes. But, if they are really fortunate, the jolly bearded legend may bring a large check down the chimney.

Holly, 5, and Annie, 3, are probably a little too young to appreciate the true value of money. Should they be so lucky, however, their mother will store their gift money away in a long-term mutual-fund savings plan for a day when they realize that money is the root of all Pocahontas dolls — and much else besides.

Joanna Hoadley, a Fidelity Investments product manager, set up a monthly savings account for each of her daughters two years ago with the intention of saving for their weddings or some other purpose. She invests \$20 (\$75) a month in both the Fidelity Japan Smaller Companies and Fidelity European unit trusts. If the girls receive a "substantial sum" for Christmas, she says, she will add it to their existing savings.

They would not be the only children to receive such financial gifts. Investment companies report a surge of saving on the behalf of children by parents, grandparents and other relatives in the festive season. Much of the money goes into savings plans of one type or another. This money may take the form of a one-time payment into an existing savings plan, or it may be the first of a series of regular monthly payments.

But choosing a savings plan presents an even more agonizing array of choices than selecting other types of present. Should one go for an equity-based savings plan? Fixed income? How about plain old cash?

The advice from Jo Roddan, corporate communications executive at Fidelity Investments, is simple: The more distant your time horizon, the more risk you can afford to take. If the savings plan is likely to

remain invested for 10 years, she recommends something like the Fidelity Special Situations fund, which is "volatile over the short term but has very good returns over the long term," she says.

Jerry Tankersley, director of asset management services at Prudential Securities, is more cautious. There are three components to the decision, he asserts: "What is my investment objective? How long do I have to get there? What is my risk tolerance? All three of those need to be asked. It is obvious that the longer the time horizon you have maybe the more risk you can take. But each individual has to decide that."

He stresses that contributing regularly to long-term savings plans is an extremely effective way to invest because it offers the

Discipline is the key to successful saving: It's not timing the market, it's time in the market.

benefits of a proven investment technique known, in any currency, as dollar-cost averaging. By investing set sums on a regular basis in fluctuating investments, like equities, investors not only avoid the hazards of buying before a sharp fall in financial markets, they also tend to buy more cheaply because their regular investment buys more of a particular investment when its price is low than when it is high. When the price paid for the investments is averaged out, it will be lower than the average market price over the same period.

But Mr. Tankersley also emphasizes the importance of a diversified portfolio. He advises clients establishing savings plans not to put all the money into equity-based investments, but to diversify into other asset classes. He says that the three most popular assets for regular savings plans are certificates of deposit, zero-coupon bonds, and mutual funds.

Mrs. Hoadley has a similar approach. In addition to her children's monthly savings accounts, she puts small sums of money into high-yielding deposit accounts for them from time to time.

The establishment of regular savings plans is fairly simple in the age of electronic banking. Most mutual-fund companies have savings plans in place with fairly low minimum investments, as do many brokerage companies. In addition, standing orders are now a basic banking service, so savers need not worry about remembering to make the investment.

But the form that any regular savings plan takes may depend on tax legislation.

In the United States, for example, the Uniform Gift to Minors Act (UGMA), and the Uniform Transfers to Minors Act (UTMA), allows custodial accounts to be set up for children; the accounts are then transferred to the beneficiaries when they reach adulthood. The investments are taxed at the child's tax rate, which will almost certainly be lower than the adult donor's.

U.S. broker-dealers and mutual-fund companies set up these accounts, and in some cases they give them a name and a marketing wrapper.

Fidelity Investments has a College Savings Plan that is basically an UGMA account under a different name. This is because college fees are one of the most popular purposes of U.S. savings plans. The minimum start-up investment on this account — along with the plain-vanilla UGMA accounts that Fidelity markets — is \$1,000, while the monthly minimum investment is \$100.

In Britain, and many other countries, there are similar tax breaks to encourage saving on behalf of minors for their future. In general, the key is that money placed in custodial accounts in a child's name does not suffer the donor's tax rates.

But, according to Mr. Tankersley, the tax breaks mean nothing unless the donor is disciplined about saving regularly and for the long term. "In the U.S. we have a saying," he says. "It's not timing the market, it's time in the market."



A Guide to Playing Financial Santa

By Judith Rehak

HANDING a family member or friend a \$10,000 Christmas gift may seem unusually generous, but it is increasingly common in the United States, where it offers a double benefit: the opportunity to play big-time Santa and a legitimate way to beat the tax man.

For the lucky folks on the receiving end, the Internal Revenue Service decrees that a gift up to \$10,000 annually is tax-free.

For gift-givers whose estates exceed the tax-free ceiling of \$600,000, each reduction of \$10,000 saves their heirs a hefty sum.

"In an estate over \$1 million, for example, giving away \$10,000 before you die will save the recipient \$4,100 in taxes," says Mary Malgoire, a Bethesda, Maryland, financial planner. "Instead, it stays in your family or with your friend."

According to financial advisers and tax experts, cash is the most popular form of financial gift-giving, but it is by no means the only method, especially given the spectacular performance of the U.S. stock market this year.

Suppose, for instance, you have made a bundle in a high-flying technology stock over the last 12 months. "When there's such a dramatic increase, it might be advisable to give the appreciated securities, rather than cash," suggests Paul Besancon, a partner at accountants Arthur Andersen. "By gifting appreciated stock you can avoid the unrealized gain up front on those shares." He adds that mutual fund shares

can be given, just like individual securities.

There is one caveat to giving securities, however. Unlike a cash gift, recipients of stocks, bonds, or fund shares will have to pay taxes when they decide to sell them. Moreover, these taxes are based on appreciation from the price originally paid by the giver. For that reason, gifts of securities are often made to a child or individual in a lower tax bracket, who might pay as little as 13 percent compared with the usual capital-gains tax of 28 percent.

But there is a lot more to a financial Christmas gift than tax benefits or merely handing someone a check.

One of the most commonly voiced reasons for giving a big Christmas check to a child is the desire by parents to make them more business-savvy and inculcate saving discipline, says Lewis Alttest, a New York financial adviser. "You can help a son or daughter to get involved in the business of investing and the real world," he says, adding that he has practiced what he preaches with his own son — with some monitoring on his part.

And despite tales of financial gifts that were promptly converted to down payments on a sports car, the experts maintain that such episodes are rare. Often, they say, it is understood that such a generous gift is intended for a down payment on a first home, or a college education. Despite a \$25,000 price tag on yearly tuition, room and board at an Ivy League college, Ms. Malgoire points out that \$10,000 still covers a year at a good state university.

Still, some high-priced gift-giving is definitely more hedonistic. Luxury vacations are growing in popularity, according to Mr. Besancon, typically given by parents to their children. "They'll literally buy them a cruise or a ski week at Vail, and put it on their credit card," he says. One couple sent their children, grandchildren and a nanny to Acapulco for a month, dividing the costs between 1994 and 1995 to stay within the tax-free limit.

And there are the philanthropic guidelines. If you're dispensing Christmas largesse this year as a result of the booming U.S. stock market, let your recipients know it could be a one-shot affair, advise the experts. Otherwise, some might come to expect an annual check, and even become dependent on it.

If his clients want to give each year, Mr. Besancon tries to convince them to start small and work their way up. "That way they don't overcommit, and have to go back and say, 'We've changed our mind,'" he says.

She remembers one wealthy client who has written year-end checks to friends in their 80s who are in reduced financial circumstances, and another who gave money to a needy family for desperately needed hearing tests and devices for a deaf child.

"We think a lot about giving to charities, but not as much to individuals in need," she says.

These are, of course, practical considerations in making financial gifts. One doesn't have to give the maximum of \$10,000, and Mr. Besancon does not recommend playing financial Santa on a continuing basis if your estate is less than \$500,000 in liquid assets.

He also notes that the IRS applies the \$10,000 tax-free limit to all gifts, not just cash or securities — meaning that parents who gave a car to a child for college graduation probably could not also give stock.

On the other hand, notes Ms.

How to Turn the Tables on Mom and Dad

By Ann Brocklehurst

WHILE it is usually well-off older relatives who give money away to younger generations, in the boom years of the 1980s many young urban professionals began to earn bigger paychecks than their parents. These days, if the yuppies did not spend all their money on BMWs and designer products, they may want to give some to older relatives preparing for retirement.

Instead of just handing over \$10,000 in cash, the maximum tax-free amount that U.S. law permits as a gift to any one person, they might consider giving a variable annuity. Both fixed annuities, which pay guaranteed interest rates, and variable annuities, which essentially consist of mutual funds inside a tax-deferred insurance wrapper, are common retirement investments.

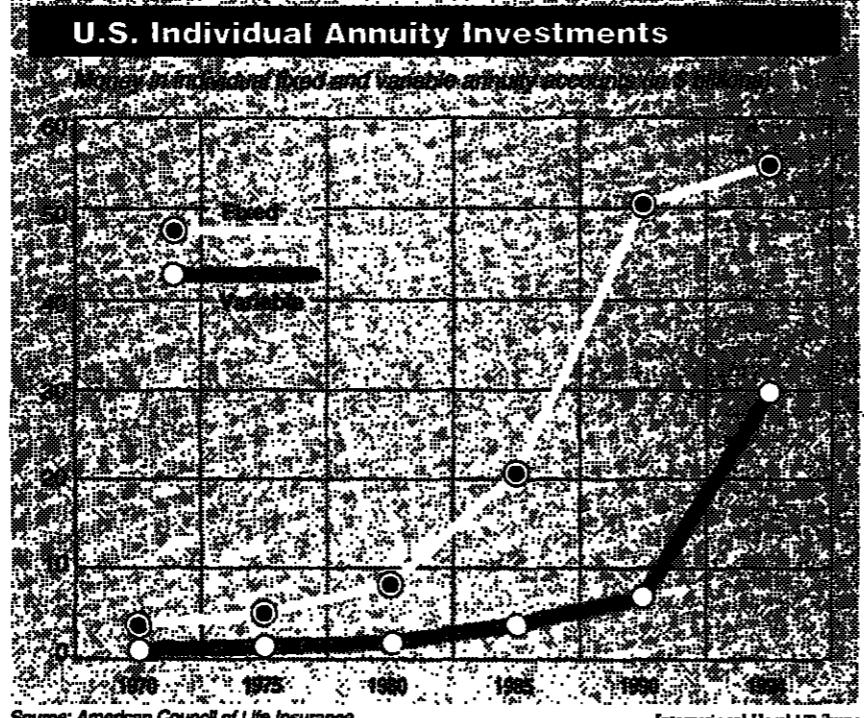
As mutual funds have boomed over the last decade, the variety of variable annuities available has also expanded dramatically. It is now possible to own variable annuities invested in niches such as emerging markets, small-capitalization stocks and "socially conscious" stocks.

From 1991 to 1994, according to the American Council of Life Insurance, the money flowing into variable annuities owned by individuals more than tripled, to \$28.94 billion. For fixed annuities, it rose 19.9 percent, to \$51.89 billion. Morningstar, the Chicago-based fund research group, now tracks close to 250 variable-annuity contracts, compared with 116 in 1990.

In its "Best of America" program, Nationwide Insurance offers its clients a chance to invest in 30 funds, including the Fidelity VIP II Contrafund Portfolio, Oppenheimer Global Securities Fund, the Dreyfus Socially Responsible Growth Fund and the Warburg, Fincus International Equity Portfolio.

Ed Texner, national sales director for Columbus, Ohio-based Nationwide Life, says the company has been "innovative" in using outside fund managers to run some of its accounts instead of running them all itself. He says 12 percent of Nationwide's annuity assets are in fixed-income accounts, while 88 percent are in variable annuities, for which October was the company's biggest month ever. "People have gotten away from fixed annuities," he says, adding that buyers of variable annuities tend to be more aggressive than the average investor "simply because they have a longer time frame. They're in stocks for the long term."

While some of the money moving into variable annuities is coming from fixed annuities and new customers, some of it



comes from clients switching from one type of variable annuity to another, according to Jennifer Strickland, editor of Morningstar's Variable Annuity/Life Performance Report. "The competition's gotten quite fierce recently," she says, adding that the different funds are now "cannibalizing each other" to a certain extent.

Ms. Strickland says money put into a variable annuity should remain there until the beneficiary retires. An annuity is an illiquid investment vehicle with penalties as high as 10 percent incurred for taking money out early. On top of that, the U.S. Internal Revenue Service imposes a tax of 10 percent on withdrawals before age 59½.

The chief benefit of an annuity is that income and capital-gains taxes are deferred until the money is withdrawn, presumably in retirement, when the beneficiary's income is usually significantly lower than in peak earning years. Annuities can also be taken in the form of a monthly retirement check as opposed to a lump sum. In the United States there is no ceiling on the amount annuity investors can put away.

Because of their insurance feature — usually a minimal life policy that provides for the amount in the account or the amount originally invested, whichever is greater, to go to the beneficiary's heirs — annuities are more complicated and costly to administer than mutual funds. The average variable annuity contract charge is \$27 per year while average insurance expense is

1.24 percent. Average fund expenses for U.S. diversified equity sub-accounts are 0.78 percent, compared 1.10 percent for international equity sub-accounts. As much as fees can have an impact on returns, factors such as the manager and his or her strategy are more important. "Don't stop at the contracts," says Ms. Strickland. "It really pays to take time and look and identify what strategy a manager is using." While fund managers will often run both a mutual fund and its equivalent variable-annuity fund, Ms. Strickland cautions that the portfolios will not be "clones": Both the size of the funds and cash flows can affect returns, and she says they should be seen as fraternal rather than identical twins.

With the increase in money flowing into tax-deferring investments like annuities, revenue-hungry governments have been eyeing them as a possible source of income. Last year, the Clinton administration considered taxing annuity earnings as a way to finance welfare reform, and before that the Bush administration included a plan to tax annuities in one of its budget proposals. In both cases, public resistance caused the idea to be dropped.

"The insurance industry is a very powerful lobby," Ms. Strickland says, adding that the United States already has a low retirement savings rate. Saving for retirement "is good for America," she says. "Taxing it would be a very short-term solution."

All financial journalists worth their gap khakis know that a good story is one that bucks the conventional wisdom. No surprise, then, that after months of unrelenting bullishness it is beginning to look a little bearish in pundit-land.

The summit is in sight," warns The Big Picture, an investment newsletter, in its December issue. While citing the usual fundamental, technical and monetary data to bolster its prediction that stock prices have "a couple of months" to rise further, the newsletter declares "it will be all downhill" after that.

On a lighter note, The Elliott Wave Theorist, a wonderfully quirky newsletter that, among other things, tries to glean market intelligence by charting the renewed popularity of Frank Sinatra and the Beatles, cites a recent advertisement in a popular mass-market magazine as perhaps the best indication that a bear market is coming. The ad, for automated financial services, shows a man in a suit reading the financial pages as he flies in an airplane — facing backwards. "He's looking back at what the stock market has done," is the newsletter's interpretation, "and is blind to what it is about to do."

What Would You Bid For a Naked Silenus?

Collectibles are having tough times, as we reported last week, but there are rays of sunshine. A recent sale of antique coins, held in Geneva by the auction house Trarad, brought in 2.62 million Swiss francs (\$14.8 million), or 30 percent more than a comparable sale last year. The star item was a silver Greek coin from 412 B.C. that sold for 116,000 francs — more than three times its pre-sale valuation. A Sicilian drachma from 450 B.C. bearing a naked Silenus, the mythological half-human, half-horse, brought 72,000 francs, 60 percent above its valuation.

Remember, though, that coins, like other collectibles, are slow-growth investments that pay primarily intangible returns. The sale of a single Roman gold coin for 102,000 francs sounds impressive — until you work out that the seller, who bought the coin in 1977 for 38,000 francs, made a compound annual return of only 4.39 percent.

**OFFSHORE COMPANIES & TRUSTS
2nd PASSPORTS**
Comprehensive facilities available from
The Offshore Professionals
Incorporations from only US \$350

INTERNATIONAL COMPANY SERVICES LIMITED
Overseas House, St. John,
Isle of Man, IM6 3AJ, British Isles.
Tel: +44 1624 801 001. Fax: +44 1624 801 000
E-mail: iom-iom@btconnect.com

Save up to 69% on International Calls
CALL NOW!
Digital Clarity
Six Second Billing
Faster Call Backs
No Carrier Change-over
24 hr Customer Service

PRIME CALL

New International Telephone Services
Tel: 1-206-328-0123
Fax: 1-206-328-7560

E-mail: primecall@compuserve.com

http://www.primecall.com

New York • Seattle

No. 1 OFFSHORE COMPANY SPECIALISTS

Professional Nominees, Full Accounting and Administration Services available at reasonable cost. All fees agreed with clients with no hidden extras.

• BAHAMAS \$5.00

• BV ISLANDS \$5.00

• BELIZE \$5.00

• GIBRALTAR £2.50

• HONG KONG \$4.50

• IRELAND £2.25

• ISLE OF MAN £2.50

• JERSEY £4.95

• SEYCHELLES \$3.50

• MAURITIUS \$3.50

• FOR IMMEDIATE SERVICE & OUR PRIME COLOUR BROCHURE CONTACT

ISLE OF MAN - P. THOMPSON FCA

OVERSEAS COMPANY REGISTRATION AGENTS LTD

COMPANY FORMS AND DOCUMENTS, 100, RAMSEY, ISLE OF MAN, BRITISH ISLES, IM9 6AB

TEL: +

SPORTS

Bulls Are Looking Invincible Again

The Associated Press

Phil Jackson is a hard man to please. Even with his team off to the best start in franchise history, the Chicago Bulls coach sees plenty of room for improvement.

"We can play better," Jackson said Thursday night following a 127-108 rout of the Atlanta Hawks that lifted Chicago's record to 18-2, slightly better than the previous club record of 17-3 set in 1991-92.

"The defense isn't good at times," Jackson said. "We give up too many offensive boards. Our break isn't consistent."

Jackson's perceived deficiencies made no difference against the Hawks, with Scottie Pippen scoring 30 points and

who finished with 28 points, came after Toronto had rallied to knot the score at 100 on Damon Stoudamire's two free throws.

Trailing 85-77 after three quarters, the Pacers began the fourth period with a 16-0 run, led by six consecutive points by Rickey Pierce, who scored all of his 17 points after intermission.

Oliver Miller led the Raptors with 22 points and 12 rebounds, while Tracy Murray had 21.

"The defense isn't good at times," Jackson said. "We give up too many offensive boards. Our break isn't consistent."

Jackson's perceived deficiencies made no difference against the Hawks, with Scottie Pippen scoring 30 points and

NBA ROUNDUP

Michael Jordan adding 22. The game turned into a rout after Mookie Blaylock's 3-point basket cut Chicago's lead to 73-70 with 6:39 remaining in the third quarter.

Chicago, rolling to its eighth straight victory, got 10 points from Pippen in a 20-5 burst that gave the Bulls a 93-75 advantage after three periods.

Nuggets 103, Knicks 94 Don MacLean's 19 points off the bench sparked Denver's second-half rally and the Nuggets bolted back from their worst loss of the season to defeat the New York Knicks.

The victory was Denver's first at Madison Square Garden since March 31, 1990, and snapped the Knicks' three-game winning streak.

Heat 102, Raptors 100 Rick Smits' 20-foot jumper with 0.5 seconds left boosted the Indiana Pacers over the Toronto Raptors.

The winning shot by Smits,

who finished with 28 points, came after Toronto had rallied to knot the score at 100 on Damon Stoudamire's two free throws.

Trailing 85-77 after three quarters, the Pacers began the fourth period with a 16-0 run, led by six consecutive points by Rickey Pierce, who scored all of his 17 points after intermission.

Oliver Miller led the Raptors with 22 points and 12 rebounds, while Tracy Murray had 21.

"The defense isn't good at times," Jackson said. "We give up too many offensive boards. Our break isn't consistent."

Jackson's perceived deficiencies made no difference against the Hawks, with Scottie Pippen scoring 30 points and



A three-player collision at the net caused momentary chaos during the Capitals' 4-3 victory over the Islanders.

Maradona Threatens to Leave Boca Over Coach

Caption by Our Staff From Dispatch

BUENOS AIRES — Diego

Maradona, the troubled soccer star, says he will quit his Argentine club, Boca Juniors, this weekend because of a disagreement with management over who should coach the team.

"I don't want to put obstacles in Boca's way, so I'm quitting,"

Maradona said Thursday.

He had warned that if Boca hired a former Argentine national coach, Carlos Bilardo, he would leave the club at which he sprang to fame as a teenager in the early 1980s.

Boca's president, Mauricio Macri, confirmed he had offered Bilardo the post, but said he

would do everything to keep Maradona. He said Bilardo did not object to coaching Maradona.

Maradona said he was "waiting for offers from all of the clubs out there," and added, "I want to keep playing in my country." The 35-year-old former Argentine captain

returned from a 15-month playing ban in late September to lead Boca to a six-point lead in the league championship. But Boca slipped to consecutive defeats and squandered the title amid internal bickering and resentment over Maradona's regularly missing training.

(Reuters, AP)

SCOREBOARD

BASKETBALL

NBA STANDINGS

EASTERN CONFERENCE

ATLANTIC DIVISION

CENTRAL DIVISION

MIDWEST DIVISION

PACIFIC DIVISION

Golden State 7 13 390 64

THURSDAY'S RESULTS

Indiana 26 27 24 25—102

Toronto 32 38 22 15—100

I. Smith 12-20 4-5 28; A. Davis 6-7 6-4 12; R. Miller 8-13 4-4 22; D. Williams 12, 12; A. Johnson 22; C. Jackson 17; T. Toronto 26; S. Milwaukee 13; N. Illinois 74; W. Milwaukee 72; S. Illinois 70; SE Missouri 64; Times Tech 95; Nichols St. 54; Wisconsin Rd. 73; Vicksburg 73

Dormuth 63; Cont. Connecticut St. 80

Detroit 15 7 2 42 Pts GF GA

Toronto 15 10 5 35 96 96

Chicago 12 11 7 31 100 94

St. Louis 11 12 6 29 68 85

Washington 13 14 3 29 107 110

Dallas 9 12 6 24 77 88

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

Buffalo 12 14 3 27 97 93

Boston 11 14 4 26 100 110

Hartford 7 21 1 15 73 110

Montreal 14 12 2 30 98 92

<div data-bbox="170 117

DAVE BARRY

Beware of Half-Baked Frogs

Miami — It is getting worse. When I say "it," I am referring to the worldwide epidemic of frogs showing up in food, which I documented in a recent column describing two worldwide incidents, one involving a frog baked onto a pretzel, and the other involving a frog in a frozen Chicken Cantonese dinner.

When I say "it's getting worse," I am referring to a shocking new development that occurred in Orange, California, according to a story in the Orange County Register, which states that on Nov. 5 a man named Patrick McGowan and his family were eating at a chain restaurant called El Torito. McGowan had ordered the No. 7 combo, and noticed that the taco "was chewier than it ought to be. So I spit it out and there was a frog," McGowan said. "I couldn't believe it. I bit the damn head off."

A manager then appeared, and after a "tug of war" with the McGowans, wound up taking the frog away. The McGowans demanded custody of the frog, but the restaurant refused to surrender it. "We want to have it checked for diseases," Mariana McGowan is quoted as saying. "We called our doctor and he said, 'Get the frog.'"

If you know anything at all about the United States of America, then you know what happened next; namely, lawyers materialized. The McGowans' attorney sent El Torito a letter stating: "The frog pieces will be crucial evidence if this matter proceeds to litigation. You are advised to maintain custody of the frog and insure that it is not lost, altered or destroyed in any manner."

An El Torito company spokesperson told the Register: "We're not commenting on the location of the frog. It is undergoing testing at a reputable independent lab."

As of this writing, we do not know the results of the testing. But we do know that we now have documented cases of frogs showing up in all three major food groups: (1) the restaurant group; (2) the frozen-food group; and (3) the pretzel group. Only an idiot would believe this is coincidence. And if you are not alarmed about this, then you obviously have never had a friend or loved one expire from a frog-transmitted disease.

How can you, the consumer, protect yourself? You can be very suspicious, especially if you're eating at a swank restaurant operated by French people, who are known to

Knight-Ridder Newspapers.

POSTCARD

A Chip Off the Old Block, but Only When He's 1

By Curt Suplee
Washington Post Service

WASHINGTON — Practically every parent has been told, from time to time, that his or her child looks "just like you." But a new study concludes that this purported likeness, no matter how often commented upon by relatives or friends, is illusory in most cases. "Children in general do not look enough like their parents for a resemblance to be detected," researchers from the University of California at San Diego report in the journal Nature, "with the one exception that one-year-olds look like their fathers."

Psychologist Nicholas J.S. Christenfeld decided to study parent-child resemblance after being told repeatedly that his baby daughter, Emma, looked like him. Few observers, however, had said that the infant resembled his wife. Intrigued by the dis-

parity, he set out to determine whether a disinterested stranger could perceive a likeness between children and their parents.

Christenfeld and assistant Emily A. Hill obtained photographs from 24 different families. Each pair of parents provided a picture of one of their children at age 1, as well as pictures of each parent as adults and as infants approximately 1 year old. In families where children were older, parents also provided pictures of their child at the ages of 10 and 20 with the infant photograph.

The researchers then recruited 122 test subjects and asked them to look at numerous sets of four pictures. Each set included one picture of a 1-year-old child and three of adult women (or men), only one of whom was the real mother (or father). The subjects were asked to match the infant's picture with the adult the child most re-

ssembled. Subjects were also asked to choose among photos of three possible mothers or fathers to match with photos of the children at ages 10 and 20.

In every case but one, the subjects were unable to match the offspring with the correct parents at a rate significantly higher than 33 percent, the probability of a right answer by chance alone. But subjects were able to match accurately a 1-year-old child of either sex with the real father about 50 percent of the time—although not with the mother.

The volunteer subjects were adept at other kinds of facial recognition tasks. For example, they were able to match a picture of a 1-year-old child with the same child at age 10 or 20—or to identify correctly which picture of the parent as an infant corresponded with the same parent as an adult—between 60 percent and 80 percent of the time.

WEATHER

Forecast for Sunday through Tuesday, as provided by Accu-Weather.



North America

Rain will soak southern Italy and Greece while snow blankets northern Italy and Greece. Spain and Portugal will be dry, chilly weather. Rain will spread from Denver to the Gulf Coast. Rain may return to the Northeast. Rain will soak Houston, San Antonio, New Orleans, New York City, Boston and Washington. It is likely in London, Paris and Madrid. Copenhagen may have snow flurries.

Prague, Paris, Rome, Berlin, St. Petersburg, Stockholm, Copenhagen, and London may have snow flurries.

Middle East

Rain will soak parts of the Middle East. Abu Dhabi, Dubai, and Bahrain will have rain. Rain will fall in Egypt, Lebanon, Jordan, and Israel. Rain will fall in Turkey, Syria, Iraq, and Iran. Rain will fall in Saudi Arabia, Yemen, and Oman.

Oceania

Lights will go out in Australia, New Zealand, and parts of Oceania due to power outages. All maps, forecasts and data provided by Accu-Weather, Inc. © 1995

Mr. Chow, Updated, Is Relaunched in London

International Herald Tribune

PARIS — To reopen a restaurant that has closed is no more complicated than christening a ship with a bottle of champagne. To relaunch a restaurant that has been fading over the past 10 years is more delicate, according to Michael

MARY BLUME

Chow, who is in the process of reviving his first Mr. Chow restaurant in London, headily opened on Valentine's Day 1968 and neglected as he extended his empire to Los Angeles, New York and, briefly, Kyoto.

"In a restaurant it's dangerous after many years you have a suddenly different look, even if it's better," he says. He reckons that the decor he designed in 1968 has held up well, based like his food on the motto Death to Chop Suey. This means simple, clean lines. Pop Art by Jim Dine and Peter Blake, forks instead of chopsticks, white wine instead of tea, Italian instead of Chinese waiters because they were friendlier and could not conspire with the Chinese cook to open a rival restaurant since they could not communicate ("It was the typical British imperial philosophy of divide and rule").

The restaurant's cable address was Chow-chow and the cuisine Peking.

"I hope people won't say oh my God this is a different place. Details will be improved. To me they're not details, they're major, but people will feel a subtle difference." He has brought over a greeter from his Los Angeles restaurant and a dish called green shrimp (the color comes from a spinach bath) from New York, to attract the children of his '60s customers, invited to the relaunch party the list of 200 "databables" printed by Tatler magazine (the Princess of Wales was unable to attend).

The London scene has changed, with enormous eateries taking the place of intimate restaurants. "Thirty years ago only five people ate out, now there are thousands." Restaurateurs have also changed. "Hairdressers and photographers were the stars of the '60s and '70s, now it's restaurateurs. I just gave a party for all the restaurateurs in London, it couldn't have happened years ago, they would all have been ex-waiters. This time there was Sir Terence Conran, there was the son of a



Michael Chow with his wife, Eva: He has added green shrimp to menu.

lord, so the profession has changed."

Described in his own publicity as "the first truly world-famous restaurateur," Chow is the son of a Chinese classical actor who was purged in the Cultural Revolution. Michael was sent to school in England at 12 and tried acting and design before deciding that in England a Chinese could only open a restaurant or a laundry, a view he has not entirely abandoned. "I would like to do a book about misunderstandings about East and West, but every time I say I'm doing a book people say O.K., where are the recipes?"

He has risen above racism and exile by establishing his own empire, by a sharp

sense of irony, by avid celebrity chasing and by having a superb eye for art and design which made him into a world-class collector of pieces by the Art Deco designers Ruhlmann and Dunand. In Paris to see a dealer, he is changing focus and has sold much of his collection, meaning that a show at the Metropolitan Museum was canceled. He says his biggest regret is not having his name on the banners the Met flies over its entrance during shows.

His eye is so fine that Giorgio Armani invited him to design his new store on Rodeo Drive (and earlier was so impressed by Chow's New York decor that, although they had not met, he sent him 70

Armani couture jackets for his waiters). A self-described major control freak, Chow says even as a child stamp collector back in Shanghai he limited himself to Russian stamps. "I like to control an area, limit myself to a specific niche and king of that area. Paul Newman said if you are obsessed in one area it will filter through and that's probably true."

"I'm basically a collector in the true sense. I collect hinges, door knobs. I collect floors. I don't mean physically, I mean mentally. Like ice buckets—I think I've got the nicest ice buckets. Of course everybody couldn't care less but I get very excited by that." His eye is so sure, he says, that he can tell if a dish has too much salt by a glance.

"Michael is misunderstood because he is so talented in design and areas not connected with food that people do not know how passionate he is about food," says his wife, Eva, a successful New York designer. "Michael is such a perfectionist that even if he just wants to eat an egg at home, if he says three minutes he won't go to 3½ or 2½; it's very annoying, we don't eat at home much."

Chow thinks his success is based a lot on being in the right place at the right time—London when it was still swinging, Los Angeles when it was discovering food and celebrity seating, New York during the art boom of the '80s when his restaurant became a cartoon for successful partners and dealers. He has just played himself in Julian Schnabel's film about the late Jean Michel Basquiat, with David Bowie as Andy Warhol.

In the New York restaurant he asks painters to fill a blank page in a large book to profilers, along with colors. "It's rather pushy, then they open the book and see Francis Bacon, Jasper Johns, Noguchi, and they think gee, what I am going to do. Only one person refused, Bridget Riley. Cy Twombly was great. Larry Rivers did a serious portrait of me and I had to sit there for an hour and a half during dinner."

Ever since Peter Blake painted him in 1968, bright yellow to conform with racial stereotype, Chow has sat for 13 artists from Andy Warhol to Helmut Newton to Keith Haring.

"One day," he says. "I'll give them to a museum so one room will be Louis XIV and the next will be Mr. Chow."

PEOPLE

THE film "Leaving Las Vegas" was named the best movie of 1995 by the New York Film Critics Circle. The award for best actor, for the same movie, went to Nicolas Cage, who earlier in the week was named best actor by the National Board of Review of Motion Pictures. Jennifer Jason Leigh was named best actress, for "Georgia"; Ang Lee, best director, "Sense and Sensibility"; Kevin Spacey best supporting actor, for his collected 1995 work ("Seven," "The Usual Suspects," "Swimming With Sharks" and "Outbreak"), and Mira Sorvino, best supporting actress, "Mighty Aphrodite." Lee, Spacey and Sorvino also won Board of Review awards.



SO WHO'S GRUMPY? — Jack Lemmon, Daryl Hannah, center, and Annette Bening attending the premiere in Los Angeles of their movie, "Grumpy Old Men." Hannah's T-shirt reads "DID YOU NEED LOVE TOO?"

— but no Penthouse pets — decked the walls at his home in Manhattan. It's the sixth year the Penthouse publisher and his wife, Kathy, have been hosts for the local chapter's holiday party.

The newest James Bond, Pierce Brosnan, was shaken, not stirred, when an interviewer asked him whether 007 is embracing safer sex in the era of AIDS. "Engaging in safe sex? I don't know. I really don't know how to answer that question. Actually I just don't have the words. They fail me," he stammered. "It kind of ruins the moment in a Bond movie: 'Excuse me darling, where is it? I've got to be somewhere. My God.' The only gadget that doesn't work."

A black limousine in which Benito Mussolini took Adolf Hitler touring in Italy before World War II was sold at a London auction for £241,500 (\$370,000). The Lancia Astura Lungo was built for Hitler's visit in May 1938. The buyer was not identified.

Bob Guccione threw a Christmas party for the NAACP at his mansion. Original art

is concerned. He has sent a letter to pro-

ducers that gives him the option of leaving if the show comes back for a ninth season next year. The series star, Roseanne, has indicated this season would be her last, but one report said she might be wavering.

Ten years ago, visitors needed an invitation from the prime minister of Italy to enter Room 601 at the Hotel Raphael. Today, a credit card will do nicely. For about \$350 a night, you can rent the spacious penthouse that was once the home of Romano Prodi, Prime Minister Bettino Craxi, who is a fugitive in Tunisia after being sentenced to jail for corruption. The penthouse is now known as the "presidential suite," and Craxi's name has been removed from the door. The hotel's publicity lists among famous former guests as "Bettino Craxi (politician)," after the cosmonaut Yuri Gagarin and Jean-Paul Sartre.

The Concorde does it in three.

With an operator, you can do it in seconds.

Without one, you can do it even faster.

AT&T USA Direct® and World Connect® Service lets you quickly place calls to the U.S. and over 205 countries on your own. Just dial the AT&T Access Number for the country you're calling from listed below, then follow the voice prompts. Your call will get through fast.

EUROPE

Armenia*	014111
Austria†††	022-903-0111
Belgium*	0-800-100-10
Bulgaria*	00-1880-0010
Croatia*	09-335-4288
Czech Republic*	00-420-00101
Denmark*	0001-00101
Finland*	0800-106-10
France*	19-0011
Germany*	0130-00101
Gibraltar*	0800

Greece* 00-800-1311
Hungary* 000-800-1111
Iceland* 1-800-550-800
Italy* 172-1011
Lithuania* 0-800-0111
Luxembourg, FYR*** 00-800-4288
Malta* 6000-250-110
Monaco* 19-0011
Netherlands* 06-022-9111
Norway* 800-100-11
Poland* 00019-490-0111
Portugal* 05017-1288
Romania* 01-800-4288
Russia* (Moscow) 165-5042
Slovak Rep.* 00-420-00101
Spain* 000-99-00-11
Sweden* 020-795-6111
Switzerland* 155-00-11
Turkey* 00-800-12277
Ukraine* 00-800-1111
United Kingdom 0800-00-00111
Washington, D.C. 00-800-1111

MIDDLE EAST

Bahrain*	000-907
Cyprus* 000-90010	
Iraq* (Cairo)* 510-8200	
Israel* 177-100-2277	
Jordan* 14-800-0000	
Kuwait* 800-2288	
Lebanon (Beirut)* 11-000-0000	
Qatar* 420-001	
Saudi Arabia* 1-800-10	
Syria* 000-121	
Tunisia* 000-99-00-0000	
AFRICA	
Egypt* 000-801	
Gambia* 00111	
Ghana* 00111	
Ivory Coast* 00-111-11	
Liberia* 797-797	
Morocco* 002-11-0011	
Sierra Leone* 1100	
South Africa* 0-800-9123	
Zambia* 00-899	
Zimbabwe* 110-899	

AMERICAS

Argentina* 001-800-200-1111
Bolivia* 0-800-100-10
Brazil* 000-800-100-10
Canada* 1-800-22-2288
Chile* 1-800-11-1111
Colombia* 000-11-1111
Ecuador* 000-11-1111
El Salvador* 000-11-1111
Guate* 000-11-1111
Honduras* 000-11-1111
Mexico* 000-800-800-2000
Nicaragua* 000-11-1111
Panama* 000-11-1111
Peru* 000-11-1111
Venezuela* 000-11-1111

AT&T Your True Choice

Newspaper
Angola ... 10-00-00
Cameroun ... 12-00-00
Congo ... 00-00-00
France ... 10-00-00
Greece ... 1100-00-00
Italy ... 350-00-00
Jordan ... 1-250-00-00
Lebanon ... 1-250-00-00

12-00-00-00

1-250-00-00